P. A. C. No. 582

PUBLIC ACCOUNTS COMMITTEE (1977-78)

(SIXTH LOK SABHA)

FORTY-THIRD REPORT

DUES AND EQUIPMENT

MINISTRY OF COMMUNICATIONS

[On Paragraphs 8, 9, 11, 21, 23 and 26 relating to Dues and Equipment included in the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Posts and Telegraphs)]

Presented in Lok Sabha on 23 DEC 1977
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LOK SABHA SECRETARIAT
NEW DELHI

December, 1977 Agrahayana, 1899 (S)

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(1977-78)

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1. Shri B. K. Mukherjee—Joint Secretary
2. Shri T. R. Ghai—Senior Financial Committee Officer

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* Elected w.e.f. 23 November, 1977 *vice* Sarvashri Sheo Narain and Jagdambi Prasad Yadav ceased to be members of the Committee on their appointment as Ministers of State.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Forty Third Report of the Public Accounts Committee on paragraphs 8, 9, 11, 21, 23 and 26 relating to Dues and Equipment included in the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Posts and Telegraphs).

2. The Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government Posts and Telegraphs was laid on the Table of the House on 30 April 1976. The Committee (1976-77) examined paragraph 23 at their sitting held on 16 July 1976 (FN) but could not finalise the report on account of the dissolution of Lok Sabha on 18-1-1977. The Committee (1977-78) considered and finalised this Report at their sitting held on 5 December 1977 based on the evidence taken and further information furnished by the Ministry of Communications. Minutes of the sittings from Part II* of the Report.

*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library).

3. For facility of reference the conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. For the sake of convenience, the recommendations/observations of the Committee have also been reproduced in a consolidated form in Appendix-IV to the Report.

4. The Committee place on record their appreciation of the commendable work done by the Chairman and Members of the Public Accounts Committee (1976-77) in taking evidence and obtaining information for the Report.

5. The Committee also place on record their appreciation of the assistance rendered to them in the examination of the Audit Report by the Comptroller and Auditor General of India.

6. The Committee would also like to express their thanks to the officers of the Ministry of Communications (P&T Board) for the cooperation extended by them in giving information to the Committee.

C. M. STEPHEN
Chairman,
Public Accounts Committee

NEW DELHI :
December 16, 1977
Agrahayana 25, 1899(S)

REPORT

REALISATION OF DEPARTMENTAL DUES

Private Automatic Branch Exchange

Audit Paragraph

1.1. Against a requisition received by the Department in October 1964, a 400 lines private automatic branch exchange (PABX) in replacement of a 300 lines private branch exchange at Pathankot was handed over to the Defence Department in January 1971. Under the rules, acceptance of the annual rent and guarantee for the cables required for the PABX was to be obtained before undertaking the work; no such acceptance was obtained. In October 1972 the annual rent was intimated to the Defence Department as Rs. 1.50 lakhs. A bill for Rs. 7.74 lakhs as rent for the period from 29th January 1971 to 31st March 1976 was issued to the Defence Department about three years thereafter in September 1975; payment of the amount is still awaited (January 1976). The Department stated (January 1976) that efforts were being made to expedite realisation.

[Para 8(1) of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

1.2. It is seen from the Audit Paragraph that this Exchange was handed over to the Defence Department in January 1971. Under the rules, acceptance of the annual rent and guarantee for the cables required for the PABX was to be obtained before undertaking the work; but no such acceptance was obtained in this case. There is no indication whatsoever why the annual rent of Rs. 1.50 lakhs was not intimated to the Defence Department in January, 1971 itself instead of October, 1972. The Department was asked to furnish a note explaining *inter alia* the general procedure adopted by the P&T Department for issuing such bills and the reasons for the abnormal delay in this particular case; the reasons why such bills are not issued annually and the present position about the realisation of the bills.

1.3. In reply,* the Ministry of Communications (P&T) Board have stated as under :

> "On further examination of the case; it has come to light that the Army Authorities had not placed any demand for laying of this cable. The cable was not laid for exclusive use of the army. In fact it was laid for giving extensions from the PABX instead of giving these connections on overhead wires. Accordingly the bill for Rs. 7,72,936 for the period from 29-1-1971

*Not vetted in Audit.

to 31-3-1976 is not recoverable from the Army Authorities. The rent for the Board and PABX connections is being charged right from the date the PABX was installed. However, rent for underground cable laid from Railway Station to Carrier Station is chargeable from Army Authorities, for which further action is being taken."

1.4. The Committee are surprised that the Ministry in their communication, instead of replying to the points raised by the Committee, have stated that the Bill for Rs. 7,72,936 is not recoverable from the Army Authorities inasmuch as the cable was not laid for exclusive use of the Army. The Committee regret this laconic reply of the Ministry and they fail to understand why the correct position was not explained to the Audit in proper time. The Committee cannot too strongly emphasise the need for prompt examination of the Audit objections. In the present case, the Committee note that rent for underground cable laid from Railway Station to Carrier Station is chargeable from Army Authorities. The amount in question and the present position of the recovery of the same from the Army Authorities has not been intimated. The Committee would like to be informed about the reasons for the abnormal delay for the realisation of the rental in question, and preesnt position of recovery.

Copperweld Wires

Audit Paragraph

1.5. Two pairs of copperweld wires were provided to the Defence Department in July 1966 at the annual rent of Rs. 0.36 lakh for the first five years and Rs. 0.07 lakh thereafter. No rent was recovered for these wires till April 1974, when bills for Rs. 2.09 lakhs as rent for July 1966 to March 1975 were issued. Out of this amount, Rs. 0.27 lakh only were paid by the Defence Department till December 1975. The Department stated (January 1976) that out of the balance of Rs. 1.82 lakhs, the Defence Department had accepted the liability of Rs. 1.32 lakhs and rejected the claim for Rs. 0.50 lakh as rent for July 1966 to November 1967 as 'time barred'. Payment of even the accepted amount (Rs. 1.32 lakhs) is still awaited (January 1976).

[Para 8(2) of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

1.6. According to the Audit Paragraph, bills for Rs. 2.09 lakhs as rent for July 1966 to March 1975 were actually issued in April 1974. The Committee enquired from the Ministry of Communications about the reasons for abnormal delay of 8 years in issuing bills to the Defence Department for two pairs of copperweld wires which were provided to them in July 1966 at the annual rent of Rs. 0.36 lakh for the first five years and Rs. 0.07 lakh thereafter.

1.7. The Ministry of Communications have stated in a written note :

> "The work was demanded by the Army on emergent basis during Indo-Pak conflict. The work was to be done on priority demand, hence the usual formalities of quoting rent and guarantee and issue of advice notes for the execution of work etc., were dispensed with and the work was got done on a war footing. The circuit was handed over to army on 17-7-1966. No advice note appears to have been issued with the result that a note of the provision of circuit was not kept. Immediately on detection of the omission by the Audit in April, 1974, the Rent and Guarantee were quoted, *post facto*, to the army and got accepted."

1.8. The Committee further enquired why such bills are not issued from year to year. The Ministry of Communications have stated that the bills are being issued from year to year ever since the omission was detected in April, 1974 and the payment is also being received regularly.

1.9. As to the question whether any security was prescribed in such cases and, if so, whether this procedure was followed in the present case, the Ministry of Communications have stated :

> "Till 15-1-1976 no security was prescribed from Government subscribers in such cases. However, with effect from that date, orders have been issued to treat Government subscribers at par with private subscribers in the matter of recovery of initial charges of the facilities to be provided. No security, in this case as per the then existing procedure, was recovered."

1.10. General Circular letter No. 2-38/75-TR dated 15-1-76 from Director General, Posts and Telegraphs, to all Heads of Telecom. Circles & Telephone Districts is given in the *Annexure I*.

1.11. According to the Audit paragraph, out of the amount of Rs. 2.09 lakhs, the Defence Department paid only Rs. 0.27 lakh till December 1975. Audit was informed in January 1976 that out of the balance of Rs. 1.82 lakhs, the Defence Department had accepted the liability of Rs. 1.32 lakhs and rejected the claim for Rs. 0.50 lakh as rent for July 1966 to November 1967 as 'time barred'.

1.12. Asked to state whether there was any period after which the bills became time barred, the Ministry of Communication have informed the Committee that there is no time limit after which the telephone bills become time-barred.

1.13. Questioned whether the reasons for delay in the issuance of the bills have been investigated and, if so, the outcome of the investigation, the Ministry of Communication have informed the Committee as under :

> "The investigation has revealed that due to the urgency with which the work was required to be carried out to meet the operational demand of the army authorities the normal routine of issue of Advice Note and obtaining the necessary handling over and taking over certificates did not receive proper attention.
>
> After a lapse of 12 years, it is difficult to fix the responsibility for the omission to issue the Advice Notes. However, suitable instructions have been given to the Subordinate Units to ensure that such instances do not recur in future."

1.14. The present position in regard to the recovery of the rent, as given by the Ministry of Communications in November 1976 is that out of the bills amounting to Rs. 1.82 lakhs a sum of Rs. 1.32 lakhs pertaining to the period from 1-12-1967 to 31-3-1975 was paid on 29-12-1975. The balance of Rs. 0.50 lakh relating to the period from 1-7-1966 to 30-11-1967 is outstanding. The Ministry have added that efforts are continuing to secure settlement of the amount.

1.15. The facts of the case, as disclosed in the Audit paragraph, are very disquieting. First there was an abnormal delay of almost 8 years in sending rent bills to the Defence Department for the supply of two pairs of copperweld wires in July 1966. When the rent bills aggregating Rs. 2.09 lakhs were sent to the Defence Department in April 1974, a sum of Rs. 0.27 lakh only was paid by that Department till December 1975. It is surprising that the P&T Department acquiesced with the caveat furnished by the Defence Department that the claim for Rs. 0.50 lakh as rent for July 1966 to November 1967 was time-barred. The Defence Department had accepted the liability of paying only Rs. 1.32 lakhs which was eventually paid on 29 December 1975.

1.16. The Committee are surprised that the P&T Department did not consider it necessary to obtain any deposit in advance from Government subscribers before providing any services to them. Obviously, after the receipt of the Audit paragraph, they appear to have realised the necessity of prescribing security deposits from Government subscribers, including Defence organisations, also and orders to that effect were issued only on 15 January 1976. These orders, however, make no mention about the circumstances under which a bill can become time-barred.

1.17. The Committee deplore the inordinate delay in issuing bills to the Defence Department and also the tardy realisations against their demands. They would like that the outstanding bills should be settled without any further delay.

Laying of a Cable for Defence Department

Audit Paragraph

1.18. A cable was laid at Jammu and handed over to the Defence Department in November 1967. Its annual rent was recovered at the rate of Rs. 21,870 per annum instead of the correct rate of Rs. 43,347 per annum. A bill for Rs. 1.38 lakhs being the difference in rent realised and rent actually due for November 1967 to March 1974 was issued in April 1974. The Posts and Telegraphs Department stated (January 1976) that the Defence Department had accepted the claim for Rs. 1.37 lakhs, payment of which was awaited.

[Para 8(3) of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

1.19. The Committee desired to know whether the amount of Rs. 1.38 lakhs on account of difference in rent had since been realised. In a written note furnished to the Committee the Ministry have stated that out of the bills amounting to Rs. 138416 a sum of Rs. 137180 pertaining to the period 1-12-1967 to 31-3-1974 has been paid on 26-12-1975 leaving a balance of Rs. 1236 relating to the period 10-11-1967 to 30-11-1967. Efforts are being made to secure settlement of the balance of Rs. 1236.

1.20. The Committee enquired whether the reasons for not detecting the mistakes in the initial stages and for preparing a wrong bill, had been investigated. The Ministry have stated in a written note :

> "The cable was being billed for provisionally on the basis of the estimated cost. The final rent and guarantee was to be quoted on the completion of the work. Even though the work was physically completed in 1967, the process of obtaining revised sanction to the estimate and release of the completion report of the work could be completed only in 1974. The revised rent and guarantee were quoted in March, 1974 and got accepted from the Defence Department. The difference in the amount has also been paid by the Army authorities."

1.21. The Committee are surprised that a bill for Rs. 1.38 lakhs being the difference in rent realised and rent actually due for November 1967 to March 1974 which was issued to the Defence Department in April 1974 for a cable laid at Jammu had not been paid till January 1976. The Committee deplore the long delay of seven years in the realisation of the amount.

Supply of teleprinter machines, auto-transmitters and reperforating attachments to the Defence Department

Audit Paragraph

1.22. In compliance with the instructions received from the Director General, Posts and Telegraphs, the Telephones Districts at Jaipur, Madras and Bombay supplied to the Defence Department 100 teleprinter machines, 30 auto-transmitters and 18 reperforating attachments between December 1971 and February 1972. The cost of these machines and attachments amounting to Rs. 9.46 lakhs is yet to be recovered (January 1976). Only the Telephones District at Madras raised a debit for Rs. 3.79 lakhs against the Defence Department in August 1974; the other two Telephones Districts at Jaipur and Bombay did not even raise the debits (December 1975). The Department stated (January 1976) that the matter was under examination.

[Para 8(4) of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

1.23. It has been stated by Audit that the cost of 100 teleprinter machines, 30 auto-transmitters and 18 reperforating attachments supplied to the Defence Department amounting to Rs. 9.46 lakhs has not been recovered from that Department till January 1976. Out of three Telephones Districts, one Telephones District, namely, Madras, raised a debit for Rs. 3.79 lakhs against the Defence Department in August 1974. Asked to state the reasons for abnormal delay in raising the debits in all the three cases and whether the reasons for such delay have been investigated, the Ministry of Communications have stated :

> "The reason for delay in raising the debits is, that the Defence authorities have not accepted the rates applied for costing the machines and accessories. The delay in raising the debits cannot be considered as the reason for non-realisation of the charges."

1.24. Asked to state whether the costs of these machines are readily available and if not, the formula adopted in working out the cost of the same, the Ministry of Communications have stated in a written note :

> "The purchase costs of Teleprinter machines are available. The sale of stores from the P&T Department to an outside user is made at a price worked out in accordance with para 168 of IAC (Vol. II) on the basis of issue rate and the overhead charges as fixed from time to time. Accordingly, the rates prevailing at the time of transfer of Teleprinter machines and accessories were obtained from the General Manager Telecom Stores, Calcutta for quoting the same to the Defence Department."

1.25. In reply to a question whether the Telephone Districts at Bombay and Jaipur have since raised their respective debits, the Ministry of Communications have stated that the telephone districts at Bombay and Jaipur have raised the debits. The dates of raising the debit and the amounts involved are as follows :

	Bombay Distt.	Jaipur Distt.
I. Date of raising the debit	28-1-76	3-1-76
II. Amount involved	Rs. 4,21,239.20	Rs. 315,929.40

1.26. The Committee have been informed that the question of realisation of all the three debits is being taken up again at a high level for early settlement. Asked to indicate the steps taken or proposed to be taken to obviate the recurrence of such delays in future, the Ministry of Communications have stated as under :

> "Prior to the last Indo-Pak war in December 1971, the Army authorities requested for supply of machines and accessories on priority for emergent defence requirements. Accordingly, it was decided to supply these immediately and to settle the prices later. Although the Department has pursued the case regularly with the Army authorities for accepting our rates, unfortunately the case is not yet settled. This is an unusual case where the stores had to be delivered without observing usual formalities in view of the national emergency. However, in normal cases the stores are delivered after completing the usual formalities."

1.27. The Committee are unhappy that there has been inordinate delay in raising the debits against the Defence Department by the Telephone District at Jaipur, Madras and Bombay for the supply of 100 teleprinter machines, 30 auto-transmitters and 18 reperforating attachments during December 1971 and February 1972. Although the P&T Department has pursued the case regularly with the Army authorities for accepting their rates, the case is yet to be settled. The Committee note that the machines were supplied under unusual circumstances to meet urgent defence requirements. There is, however no justification whatsoever for non-payment or delayed payment of the costs. The Committee desire that the P&T Department should settle the matter with the Defence Department and expedite the finalisation of the case. Guidelines may also be laid down for the supply of machines and accessories to the user departments during Emergency and in normal time and the institutional procedure should be such as to make for timely recoveries.

Rental for Telephone wires crossing public roads

Audit Paragraph

1.28. The departmental rules prescribe higher rates of rental in respect of private telephone wires which cross public roads than those which lie entirely within the subscriber's premises. The Telephone Division at Jullundur provided to the Defence Department in November 1971 one piece of 400 pairs and two pieces of 100 pairs of underground cables, all of which crossed the public road outside the subscriber's premises. Annual rent of these cables was, however, claimed at the lower rate of Rs. 2.80 lakhs as prescribed for cables lying entirely within the subscriber's premises instead of the correct rate of Rs. 3.30 lakhs. A supplementry bill of Rs. 1.19 lakhs being the difference between the rent already claimed and the rent actually due up to March 1974 was issued in May 1974. However, payment of rent (payable in advance for each financial year) against both the original and supplementary bills aggregating Rs. 16.45 lakhs for November 1971 to May 1976 was awaited; the Department stated (January 1976) that the matter was under examination.

[Para 8(5) of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

1.29. Audit paragraph has mentioned that the annual rent for telephone wires provided to the Defence Department was claimed at the lower rate of Rs. 2.80 lakhs instead of the correct rate of Rs. 3.30 lakhs. A supplementary bill was preferred in May 1974 to make up the difference between the rent already claimed and the rent actually due. The rent against both the original and the supplementary bills aggregating Rs. 16.45 lakhs has not been realised.

1.30. Asked to state the date on which the initial claim of Rs. 2.80 lakhs for the rental of cables was made and the checks then exercised to ensure that this claim was prepared according to the prescribed rates, the Ministry of Communications have, in a written note furnished to the Committee, stated that the initial claim for Rs. 4.20 lakhs (Rs. 2.80 lakhs rental and Rs. 1.40 lakhs installation charges) was issued on 21-6-1972. The bill was preferred as per rates applicable to the cables not crossing public road, assuming that the Mall Road crossed by these cables was the property of Military Authorities. The calculations were also checked on this basis.

1.31. As to the procedure for checking the bills, the Ministry have stated* as follows :

> "When a demand for any service is received for which rental has to be quoted, an estimate for the work is prepared. The capital cost is worked out on the basis of this estimate and the rental is quoted based on such capital cost plus 15% thereof. Before,

*Not vetted in Audit.

however, this rental is quoted the calculations are checked by the Accounts Officer of the Division. This procedure was followed for bills issued before May 1974."

1.32 Asked to state the reasons for delay in the settlement of the original bill, the Ministry have, in a written note, stated* that "on receipt of the original bill, the Defence Authorities disputed the method of calculating the chargeable lengths and took up the matter with the P&T Directorate. The case was under detailed examination till 15.12.1975 when decision was given by P&T Directorate upholding the viewpoint of the Defence Authorities, consequent on which the chargeable rental was reduced to Rs. 1.50 lakhs per annum. On the basis of the revised rental, a bill for the revised amount was issued on 2-2-1976, in cancellation of the earlier bills, and it was paid by Defence Authorities on 28.8.1976.

1.33. The Ministry have *furnished the following details, regarding the dates of issue and amounts involved of all the original and supplementary bills for November 1971 to May 1976 :

	Bill dated	Period covered	Amount
Original Bill	21-6-72	7-11-71 to 6-11-72	Rs. 4.20 lakhs (includes Rs. 1.40 lakhs installation charges)
Supplementary bills@ Rs. 50,000 P. A. . . .	11-6-74	7-11-71 to 31-3-73	Rs. 69,041·13
. . . .	Do	1-4-73 to 31-3-74	Rs. 50, 000·00
.	Do	1-4-74 to 31-3-75	Rs. 58,205·00
Revised Bills as per rates approved by DGP & T, New Delhi . . .	2-2-76	7-11-71 to 31-3-76	Rs. 7.20 lakhs
.	Do	1-4-76 to 31-3-77	Rs. 1.50 lakhs

1.34. It has been stated that payment of revised bills amounting to Rs. 8.70 lakhs was received on 28-8-1976.

1.35. The committee deplore the inordinate delay in settling the bill for rental in respect of underground cables supplied to the Defence Department by the P&T authorities. From the facts of the case, the Committee learn that the initial claim for Rs. 4.20 lakhs was issued on 21 June 1972.

*Not Vetted in Audit

A supplementary bill was issued in May 1974 to cover the difference between the rent already claimed and the rent actually due up to March, 1974. The Defence Department having disputed the basis of calculation, the matter remained under investigation till 15 December 1975 when the point of view of the Defence Department was upheld. The bill for a reduced amount, viz., Rs. 8.70 lakhs instead of Rs. 16.45 lakhs originally claimed was paid on 28 August 1976. The Committee would like the responsibility for the delay in settling the Bill to be fixed. The rationale for the reduction of the rental may also be explained to the Committee. As instances regarding incorrect billing are on the increase, the Committee would like that comprehensive instructions are issued to all Telephone Devisions as to the procedure for checking and preparing bills so that instances of the type mentioned in the Audit para do not recur.

Recovery of rent for telecommunication cables

Audit Paragraph

1.36. Prior to January 1967, in respect of telecommunication cables laid for the exclusive use of a subscriber (other than those for Railway or Canal authorities) annual rent was recoverable at 16 per cent of the capital cost of the work or at the standard rates applicable to private wires whichever was higher. In January 1967, the Department raised the percentage from 16 to 18 for cables laid on or after 1st April 1965 except the cases in which final rent had already been fixed at 16 per cent of the capital cost.

1.37. A test check of billing in three telephone divisions for cables laid after April 1965 disclosed that in 10 cases in which the final rent was fixed after January 1967, rent was being billed/recovered at the old rate of 16 per cent of the capital cost resulting in short billing to the extent of Rs. 0.99 lakh for the period up to March 1976. The Department stated (January 1976) that four cases were under examination and bills for the difference of rent were issued in respect of six cases but payments were awaited.

[Para 8(6) of the Report of the CA&G for the year 1974-75, Union Government (P&T)]

1.38. The three Divisions referred to in the Audit Paragraph relate to Jamnagar Division, Ludhiana Division and Visakhapatnam Division.

1.39. The Committee desired to know the checks exercised to ensure that the bills were prepared according to the prescribed rates. In a written reply, the Ministry of Communications have stated as under :

> "When a demand for any service is received for which rental has to be quoted, an estimate for the work is prepared. The capital cost is worked out on the basis of this estimate and the rental is quoted to the applicant based on such capital cost plus 15% thereon. Before, however, this rental is quoted the calculations

are got checked by the Accounts Officer of the Division. Thereafter the bills continued to be issued on the basis of the rate quoted to the party."

1.40. Asked to state the reasons for omission in the present case, the Ministry have stated that "the reasons for omission in this particular case are being investigated."

1.41. The latest position regarding recovery of bills referred to in the Audit Paragraph, as stated by the Ministry, is given below :

(i) Jamnagar Division (8 cases)	
1. Item No. 2 of Draft Audit Para [Est. No. 671 D(b)/67-68] The facility has not yet been provided. Hence no short recovery is involved	Rs. 1611.00
2. Item No. 3 of Draft Audit Para [Est. No. W-364/D (b)/68-69] The facility has not yet been provided. Hence no short recovery is involved	Rs. 1935.00
3. Item Nos. 4, 5, 6, 8 & 18 of Draft Audit Para Difference bills issued	Rs. 44279 ·25
Payment awaited. Personal contacts are being established to secure settlement of bills.	
Item No. 10 [Est. 542/D/(b)/69-70] Payment received on 24-3-1976	Rs. 4402 ·75
(ii) Ludhiana Division (1 case)	
Item No. I-Estimate No. 638D(b)/66-67 Case is under investigation.	Rs. 14207 ·00
(iii) Visakhapatnam Division	
1. Provision of under ground cable 14/40 for exclusive use of Naval authorities at Visakhapatnam [Est.No. 1 23D (b)/71-72]. Initial short recovery works out to only Rs. 13,626 ·30 and it has since been realised on 18-5-1976.	Rs.33000 ·00

1.42. Asked whether the billing in other units has also been checked and the number of cases in which short billings were found, the Ministry have in a written note stated that "billing in other units have not been completely checked yet. However, we are having a regular internal check system as per which internal check parties visit Engineering Divisions and do percentage checks. The system was introduced in August 1974 in 2 Telephone Districts and 4 Telecommunication Circles and it was extended to the remaining Districts/Circles in September, 1975." It has also been stated by the Ministry that no case of short billing has been reported to them.

1.43. The Committee regret to observe that cases of short billing continue to occur despite instructions laid down in this regard. They also note that one case regarding Ludhiana Division and five cases regarding Jamnagar Division have yet to be settled. The Committee would like that recovery of bills in respect of these cases should be effected at an early

date. The Committee would also like to be informed about the reasons for short billing in these cases.

1.44. The Committee would like to be apprised in due course about the results of the checks conducted by the internal check parties in regard to the billing in other units.

Rental for cables supplied to Defence Department

Audit Paragraph

1.45. For a cable provided in September 1971 to the Defence Department, the Divisional Engineer, Telegraphs, Bikaner recovered rent at the rate of Rs. 0.60 lakh (16 per cent of the capital cost) per annum instead of the correct rate of Rs. 0.72 lakh (18 per cent of the capital cost) per annum resulting in short realisation of Rs. 0.54 lakh due up to March 1976.

[Para 8(7) of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

1.46. The Department stated (January 1976) that the revised rent had been accepted by the Defence Department and a bill for the difference had been issued but payment was awaited.

1.47. The Committee desired to know the reasons for recovering the rent at the rates lower than the prescribed rates and the checks exercised for ensuring that such bills were prepared at the prescribed rates. In a written note, the Ministry have stated as under :

> "Rent and Guarantee figures were calculated at the old rate (15%) as the D.E.T. was not aware of the revised rate (18%). These were however, immediately revised when the lapse came to the notice of the Engineering Division. Instructions have since been issued for ensuring that such bills are prepared at prescribed rates. The question as to why the D.E.T. was not aware of the revision made in 1967 is under investigation."

1.48. Circular No. 23-6/75-TR dated the 16th October 1976 issued by the P&T Department to all Heads of Telecom Circles/Telephone Districts in this regard is reproduced in the *Appendix II*.

1.49. In reply to a question, the Ministry have stated the bill for Rs. 54,232/- on account of short charges for the period from 20-9-1971 to 31-3-1976 was issued to the Air Force Authorities and the payment of the same was received on 20-2-1976.

1.50. The Committee note that the P&T Department have effected recovery of the short charges for the period from 20 September 1971 to 31 March 1976 which were due from the Air Force authorities. They also

note that instructions have been issued to all Heads of Telecommunication Circles/Telephone Districts with a view to ensure that such irregularities are scrupulously guarded against and that a review should be made of all the facilities provided so far to detect omissions and to rectify them. The Committee, however, would like to know the results of investigations for short recoveries in this particular case.

Commissioning of a radio telephone station

Audit Paragraph

1.51. On an emergent requisition from a State Government a radio telephone station was commissioned in April 1966. The rent of Rs. 0.40 lakh per annum for a minimum period of 5 years was accepted by the State Government in September 1966. The circuit was, however, surrendered by the State Government on 30th November 1968. The recovery of Rs. 1.95 lakhs (Rs. 1.04 lakhs as rent from 25th April 1966 to 30th November 1968 and Rs. 0.91 lakh as compensation for premature surrender of the facility) was still outstanding.

[Para 8(8) of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

1.52. The Department stated (January 1976) that a bill for Rs. 1.95 lakhs was issued in April 1971 to the State Government, which did not pay it as the surrendered assets fell in the area under the jurisdiction of a Union Territory.

1.53. Giving the facts of the case, the Ministry of Communications have, in a written note, stated as under :

"Bill No. WG-10 dated 25-6-1966 for rental for the first year (Rs. 40,000/-) was preferred by A.O.T.R. Nagpur (who was the billing authority) through D.E.T. Dibrugarh *vide* his letter No. WF/14/2 dated 25-6-1966. Bill No. WG-113 for the period from 25 4-1967 to 24-4-1968 for Rs. 40,000/- was issued on 25-4-1967. Reminders were issued by D.E.P. Nagpur on 29-3-1967 and 6-6-1967. Thereafter duplicate copies of the bills were forwarded by the D.E.P. Nagpur to the Under Secretary to the Government of Assam (GAD) Shillong under his letter No. TW-14-4/37 dated 22-5-1970 for early payment. The Circuit was surrendered on 1-12-1968. The claim for compensation for premature surrender of the facility together with the rental charges (total Rs. 1,95,911/-) was preferred by the D.E.T. Gauhati upon the Assam Government on 13 4-1971. Duplicate copies of bills amounting to Rs. 1,95,911/- were also sent to the Government of Assam, Dispur Gauhati on 25-4-1974. On pursuing the matter with Assam Government the Chief Secretary, Assam informed on

28-11-1974 that the bills payable by the Mizoram Government. The matter was then pursued with the Mizoram Government as well as the Central Government for securing early settlement of the bill".

1.54. Asked to State whether the bill for Rs. 1.95 lakhs has since been realised, the Ministry of Communications have stated that the bills for Rs. 1.95 lakhs were paid by the Mizoram Government at Aizawal H.P.O. on 27-8-1976.

1.55. The Committee regret to note that although the claim for compensation for premature surrender of the facility together with the rental charges amounting to Rs. 195911 was preferred on 13 April 1971, it remained unrealised until 27 August 1976. The Committee fail to understand why when the claim was actually preferred by the Divisional Engineer Telephones, Gauhati upon the Assam Government on 13 April 1971, duplicates of the same were sent to the Government of Assam after 3 years i.e. on 25 April 1974. This gives rise to doubts in the mind of the Committee that either the claim preferred on 13 April 1971 had not been taken note of by the State Government or the bills had not actually been despatched at all. The whole matter needs to be thoroughly investigated. The Committee desire that departmental instructions may be issued to all Heads of Telephone Districts, impressing upon them the need to finalise such matters by taking initiative as necessary at higher levels and not remain content with mere routine correspondence.

Public Call Office at Tikarapara Dam Site

Audit Paragraph

1.56. In March 1964, the Director, Posts and Telegraphs, Cuttack sanctioned a project for opening a public call office at Tikarapara Dam Site after the Government of Orissa guaranteed a revenue of Rs. 13,100 per annum therefrom. Stores worth Rs. 1.08 lakhs were issued up to April 1968 for the work. Before, however, the work was started the State Government withdrew its guarantee in April 1969, as a public call office was no more required at that place by it. As per departmental regulations, compensation for cancellation of work after issue of stores is to be claimed within 3 months of the cancellation. The Postmaster General, Cuttack while communicating the cancellation in October 1969 ordered realisation of compensation. It was, however, after six years that bills claiming Rs. 0.25 lakh as compensation and estimating fee were sent to the State Government in October 1975; the payment was awaited (January 1976).

[Para 8(9) of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

1.57. Asked to state the reasons for not claiming compensation within three months of the cancellation of the facilities as required under the departmental regulations and for preferring a claim of Rs. 0.25 lakh being the compensation and estimating fee in October, 1975, i.e. six years after the cancellation of the facilities, the Ministry have, in a written note, stated that "the bills were not issued in time due to oversight on the part of the Divisional Office."

1.58. Asked to indicate the procedure followed for ensuring that the bills which were required to be submitted within a specified time were submitted accordingly, the Ministry have stated as under :

> "When demand for any service is received for which rental has to be quoted, an estimate for the work is prepared. The Capital Cost is worked out on the basis of this estimated cost and the rental is quoted to the applicant based on such capital cost plus 15% thereof. Before, however, this rental is quoted the calculations are got checked by the Accounts Officer of the Division. After the facility is handed over bills are issued on the basis of rate quoted to the party."

1.59. The Ministry have added that in order to safeguard losses in future, a register has since been introduced to keep a watch over the progress of work from the date the firm demand is received till the date the bill is issued. Instructions to this effect have been issued to all Heads of Circles/ Telephone Districts, *vide* letter No. 23-11/73-TR dated the 31st May, 1975.

1.60. As to the latest position about the recovery of the bills, the Ministry have stated that "the bills have not yet been settled by the State Government despite reminders. The Circle is being directed to take further suitable measures, including personal contacts, to secure recovery."

1.61. The Committee regret that there has been a failure on the part of the P&T Department to prefer a claim in time of Rs. 25,000/- being the compensation for cancellation of a project for opening a public call office at Tikarapara Dam Site which was sanctioned in March 1964 after the Government of Orissa guaranteed a revenue of Rs. 13,100 per annum therefrom. Under the departmental regulations, compensation has to be claimed within three months of the cancellation of the facilties. The P&T Department preferred the claim in October 1975, i.e. after a lapse of six years. The Ministry have conceded that "the bills were not issued in time due to oversight on the part of the Divisional Office". The Committee would like that individual responsibility for the lapse should be fixed and suitable action taken.

1.62. The Committee note that a register has since been introduced to keep a watch over the progress of work from the date the firm demand

is received till the date the bills are issued and instructions to this effect have been issued to all Heads of Circles/Telephone Districts. The Committee would like the Department to keep a watch that the instructions are in fact scrupulously observed to obviate recurrence of such instances.

1.63. The Committee note that the bill for Rs. 25,000 has still to be settled with the State Government concerned. The Committee would like that this matter should be settled without any further delay.

1.64. From the foregoing paragraphs, the Committee have come to the inescapable conclusion that the mechanism available with the P&T Department for the realisation of the departmental dues has been ineffective and inadequate. Non-recovery or delayed recovery of rentals has become a regular feature in that Department, as is evident from the instances cited by the Committee in their previous reports. Instructions issued by the Department from time to time have been observed more in the breach than in the observance. The Committee in their 145th Report (Fifth Lok Sabha) have regretted the absence of a foolproof system for keeping a watch over the recovery of rent and compensation. They had desired a detailed note from the Ministry about the impact of the measures which the Department had promised to adopt for avoiding delays in rent recoveries. From the reply of the Government to this recommendation, contained in their 189th Report (Fifth Lok Sabha), the Committee note that "The system of checks has also been strengthened with effect from August 1974". The Committee have further been informed by the Ministry in a written note dated 15 March 1977 that the Internal Check Organisation has since been extended to all the Telecommunication Circles and Telephone Districts. Internal check has also been extended to cover the P&T Dispensaries. As a result of the inspections conducted by the Internal Check Organisation, the P&T Department have detected cases of short billing (Rs. 14.52 lakhs), short recoveries (Rs. 2.31 lakhs), non-billing (Rs. 11.08 lakhs). A case of excess payment to the extent of Rs. 17.26 lakhs to Overseas Communications Service in Settlement Account was also detected during the year 1975-76.

1.65. While the Committee appreciate the steps taken by the Internal Check Organisation to detect cases of short billing, non-billing, etc., they would like that a vigilant watch should be exercised and all cases of lapses should be fully investigated so as to fix and enforce responsibility and accountability to safeguard public revenue.

RENT FOR A PRIVATE BRANCH AUTOMATIC EXCHANGE

Audit Paragraph

2.1. According to the departmental instructions (August 1966), in respect of a demand for any service for which annual rent is chargeable at a fixed percentage of the capital cost of the work, an estimate for the work is to be prepared taking into account current cost of equipment, stores and all foreseeable expenses and annual rent is to be calculated at a prescribed percentage on 115 per cent of the estimated cost. The rent so arrived at and quoted to the applicant is to be treated as final subject to the condition that if a revision of the estimate is found necessary due to substantial deviation from the specifications of work or variation of prices, the final rent is to be reassessed on the basis of 115 per cent of the revised estimated cost.

2.2. Against a demand for installation of a 1000 lines private branch automatic exchange in a large hotel, the General Manager, Telephone District, Bombay assessed the cost of installation at Rs. 3.70 lakhs (cash : Rs. 3.03 lakhs, stores : Rs. 0.37 lakh and overheads : Rs. 0.30 lakh) and intimated (June 1970) an annual rent of Rs. 0.81 lakh payable for a minimum period of five years. The rent was accepted by the hotel and advance rent for one year was also deposited in July 1971.

2.3. The private automatic branch exchange was commissioned in January 1972. The actual expenditure (including overheads) booked in the accounts against this work was Rs. 7.01 lakhs up to March 1972. No action was, however, taken to revise the rent on the basis of the booked expenditure which was already 89 per cent more than the original estimate. Subsequently, further debits for Rs. 1.23 lakhs were booked against this work in 1972-73 raising the total booked expenditure to Rs. 8.24 lakhs up to March 1973. It was only in December 1973 *i.e.* after about two years of commissioning the branch exchange, that the hotel was informed that the revised rent on the basis of the actual cost of work was Rs. 2.10 lakhs per annum and a bill was sent for the arrears of Rs. 3.05 lakhs. The hotel did not accept the claim and protested against as much as 159 per cent increase over the rent earlier intimated (Rs. 0.81 lakh).

2.4. There was a mistake in the recalculation of annual rent at Rs. 2.10 lakhs; the correct rent worked out to Rs. 1.58 lakhs per annum. A revised bill for Rs. 3.36 lakhs for January 1972 to May 1976 was sent to the hotel in September 1975. By then further debit for Rs. 0.08 lakh was booked in the accounts for 1973-74 and the total expenditure on the work was Rs. 8.32 lakhs.

2.5. The hotel management paid Rs. 1.70 lakhs under protest and sent a representation on 20th September 1975 against exorbitant increase in the amount of rent over what was quoted to it in June 1970 and was agreed to by it. While the hotel management was agreeable to an increase of 20 per cent over the rent quoted in June 1970, it observed that it failed to understand how the cost of the branch exchange was so grossly underestimated earlier.

2.6. The Department stated (December 1975) that the matter was under consideration.

[Paragraph 9 of the Report of C&AG for the year (1974-75)—(P&T)]

2.7. According to the Audit para, in respect of demand for a 1000 lines private branch automatic exchange in a large hotel (Tajmahal Hotel), the cost of installation was assessed at Rs. 3.70 lakhs by the General Manager, Telephone District, Bombay. In June 1970 an annual rent of Rs. 0.81 lakh payable for a minimum period of 5 years was fixed by the General Manager and communicated to the hotel. However, when the exchange was commissioned in January 1972 the actual expenditure (including overheads) booked in the account against this work was Rs. 7.01 lakhs up to March 1972. Subsequently, further debits for Rs. 1.23 lakhs and 0.08 lakh were booked against this work in 1972-73 and 1973-74 respectively, thus raising the total booked expenditure to Rs. 8.32 lakhs.

2.8. Asked to state the reasons for as much as 125 per cent increase in the cost of the work and why it could not be anticipated earlier, the Ministry of Communications (P&T Board) have stated in a written note :

"Increase in the cost of the work was due to the following reasons which could not be anticipated.

(a) As the Hotel type PABX was being introduced for the first time in the country, several items of equipment specially the relay sets and wire material etc., could not be taken into account during the initial estimate;

(b) Prices of all standard items like composite rack, meter, power plant, MDF etc. supplied by the ITI were considerably increased."

2.9. The Committee have been further informed by the Ministry in this regard as under :

"The cash expenditure booked against the work during the year 1972-73 onwards works out to Rs. 1,18,993. Out of this the expenditure amounting to Rs. 44,336/- relates to escalation

charges claimed by M/s. I.T.I. The escalation charges were claimed by M/s. I.T.I. from May '72 onwards. Other items of expenditure were as under :

		Rs.
May' 72	Cost of 200 AH Battery etc.	14,598·72
	Double Row Stand . . .	1,171·72
	Other Items	2,940·40
Jan., '73	102 wire cable	24,214·37
	63 wire 4000 mts. . .	31,732·11
		74,657·32"

2.10. As regards the reasons for (i) not working out and intimating the revised annual rent immediately when the expenditure of Rs. 7.01 lakhs on this work was booked in March 1972 and (ii) intimating the hotel about this revision in rent as late as in December 1973, the Ministry of Communications have stated in a written note that in this case the actual expenditure for 1971-72 became available after March 1972. Further as some more expenditure on account of cost of cables and escalation charges on I.T.I. materials used was anticipated, immediate action could not be taken to intimate the revised rates in March 1972. The same was communicated in June 1973 (not in December 1973) and arrear bill was preferred in December, 1973.

2.11. The Committee enquired about the general procedure prescribed in this regard. In reply the Ministry of Communications have stated as under :

"Departmental rules provide that when a demand for any service is received, for which rental has to be quoted on capital cost basis, an estimate should be prepared taking all foreseeable expenses into consideration, based on the then current prices and the capital cost should be worked out on the basis of this estimate. The rental is then quoted to the applicant on such capital cost plus 15% thereof.

Once the rental quoted has been duly accepted by the applicant such rental should be treated as final unless preparation of revised estimate is found necessary when actual expenditure exceeds by more than 10% of the estimated cost, in which case the final rental shall be based on the revised estimate plus 15% thereof. The final rental fixed in the aforesaid manner and quoted to the subscriber before provision of the service will be verified by A.O. Telecom. of the Division with the actual cost of the work when known in due course. In

the present case though the expenditure exceeded the estimated cost by more than 10% in January 1972, no revision of the estimate was undertaken. Reasons therefor are under investigation."

2.12. As stated in the Audit para, there was a mistake in the calculation of annual rent at Rs. 2.10 lakhs and the correct rent worked out to Rs. 1.58 lakhs per annum. Asked whether the correctness of the annual revised rent of Rs. 2.10 lakhs was checked and scrutinised before the issue of the arrear bill of Rs. 3.05 lakhs, the Ministry of Communications have stated :

"The sum of Rs. 2.10 lakhs was worked out on the basis of actual expenditure plus 15% thereof. Further in calculating the annual rental, the percentage towards annual recurring expenditure applicable to a manual exchange *viz.* 29% was adopted instead of 19% as would be applicable for an automatic exchange. Though the calculation had been verified by the Accounts Branch, this had escaped notice and came to light subsequently. The addition of 15% was also not necessary as the calculations were to be based on actual expenditure. Hence the original rental of Rs. 2.10 lakhs was brought down to Rs. 1.58 lakhs."

2.13. The Committee have also been informed that the case has been finalised and it has been decided that the increased revised rental is in order and payable by the party. Necessary bill for the arrears of rental amounting to Rs. 2,43,691.25 and covering the period from 23-1-1972 to 31-5-1977 was issued on 16-12-1976 and the same was paid by the party on 13-4-1977.

2.14. The Committee note that in case of a demand for any service for which annual rent is chargeable at a fixed percentage of capital cost of work, an estimate for the work is prepared by the Department of P&T taking into account ground cost of equipment, stores and of foreseeable expenses and the annual rent is calculated at a prescribed percentage of 115% of the estimated cost. Based on this formula the annual rent of a 1000-line private automatic exchange to be installed at an estimated cost of Rs. 3.70 lakhs in the Tajmahal Hotel, Bombay was fixed at Rs. 0.81 lakhs.

2.15. The Committee are surprised that though on commissioning of the exhange in January 1972 the actual expenditure booked upto March 1972 in the accounts against this work was already 89% high (Rs. 7.01 lakhs) no action was taken to revise the rent and intimate the same to the Hotel. It was only in June 1973 that the Hotel was informed that the revised rent on the basis of cost of work was Rs. 2.10 lakhs per annum. The plea of the Ministry for not intimating the revised rent to the Hotel in March 1972 to the effect that some more expenditure on account of

cost of cables and escalation charges on Indian Telephone Industry's material used was anticipated, is somewhat strange as this expenditure was foreseeable and could have been easily taken into account at that time. The Hotel should have atleast been intimated of the impending revision of the rent and given a fair idea of it.

2.16. Further according to the departmental procedure, once the rental quoted has been duly accepted by the applicant such rental should be treated as final unless preparation of revised estimate is found necessary when actual expenditure exceeds by more than 10% of the estimated cost, in which case the final rental shall be based on the revised estimate plus 15% thereof. In the present case though the expenditure had exceeded the estimated cost by more than 10% in January 1972 no revision of the estimate was undertaken. This is more reprehensible. The Committee are perturbed to learn from the Ministry that the reasons for this are still being investigated although the exchange was commissioned as far back as in 1972. The Committee would like that the investigation should be concluded without further delay and responsibility for the lapse fixed. . . .

2.17. While calculating the annual rent, the percentage towards annual recurring expenditure applicable to a manual exchange, viz., 29% was adopted instead of 19% as would be applicable for an automatic exchange. This resulted in an error of an additional Rs. 52,000 in the annual rent for the automatic exchange in the Hotel. The Committee find that this error escaped the notice of the Accounts Branch despite their verification of the calculations. Moreover, the high rental of Rs. 2.10 lakhs was also due to the fact that this had been calculated on the actual expenditure and not on the revised estimate. In such case, the addition of 15% was not necessary. The Committee would like the Department of P&T to evolve some inbuilt mechanism to ensure that mistakes of this nature do not recur.

2.18. The Committee note that there has been inordinate delay in effecting the recovery of the rent in installation of the exchange due to the under-estimation of the annual rent and subsequently due to faulty calculations of the rental charges. It is regrettable that the bill for arrears of rental to the extent of Rs. 2,43,691 covering the period from 23 January 1972 to 31 May 1977 was issued by the Department of P&T as late as 16 December 1976 which was paid by the party on 13 April, 1977.

RATES OF TRUNK CALL CHARGES IN GOA DIVISION

Audit Paragraph

3.1. For the purpose of fixing the charges for trunk calls from one exchange or public call office to another exchange or public call office, the country has been divided into several "Long Distance Charging Areas" (268 as in January 1971), each such area having a fixed "Long Distance Charging Centre". The trunk call rate between any two exchanges or public call offices is determined (i) on the basis of the radial distance between the exchanges or public call offices if both of them are located in the same or contiguous "Long Distance Charging Area" or (ii) on the basis of the radial distance between the "Long Distance Charging Centre" of the two areas if the exchanges or public call offices are located in different and non-contiguous areas.

3.2. On the liberation of Goa, the five telephone exchanges functioning there were taken over by the Posts and Telegraphs Department in December 1961. The ex-Portuguese Administration used to levy a flat rate of 50 paise for a trunk call of 3 minutes duration between any two of the five exchanges in Goa. The trunk call rates, on the basis of radial distances between the exchanges and the Indian Tariff then applicable would have been 60 paise in respect of five routes having radial distances exceeding 20 kilometres and 30 paise in respect of other five routes with radial distances upto 20 kilometres. It was decided in February 1962 to retain the flat rate of 50 paise as trunk call charge between all exchanges in Goa, as was being charged by the ex-Portuguese Administration.

3.3. Twelve more exchanges were opened in the Goa area up to March 1974 and the uniform rate of 50 paise per unit call up to 3 minutes duration continued to be charged for these exchanges as well.

3.4. The Posts and Telegraphs Department stated (October 1975) that the decision of February 1962 was taken "knowing fully well that part of the routes will justify lower rates and part of the routes will justify higher rates. But taking an overall view it was decided that the flat rate may continue as there was no loss expected to the Department and had the advantage of simplicity of accounts." The Department stated further that at the flat rate of 50 paise per call it had collected at least Rs. 1.58 lakhs as additional revenue up to 15th January 1966, the rate of 50 paise per call being more than the rate of 30 paise applicable in the rest of the country for radial distances up to 20 kilometres. The Department added that this additional revenue was estimated on the basis of the ratio in 1973 of calls within radial distances up to 20 kilometres to the total number of calls and that the ratio of calls within distances of 20 kilometres to the total number of calls must have been more in the earlier years.

3.5. The trunk call tariffs were revised (except in Goa) in October 1962 to 30 paise for radial distances up to 20 kilometres and 50 paise for radial distances exceeding 20 kilometres but not exceeding 40 kilometres. These tariffs were further revised in January 1966 and May 1974 as shown below :

	Rates as revised from	
	January, 1966	May, 1974
	Rs.	Rs.
Up to 20 kilometres	0·50	0·25
Exceeding 20 kilometres but not exceeding 50 kilometres.	1·00	1·00
Exceeding 50 kilometres but not exceeding 100 kilometres.	2·00	2·00

3.6. In Goa the old flat rate of 50 paise per call continued to be applied. In March 1975, the Posts and Telegraphs Department extended the rates applicable to the rest of the country to the exchanges in Goa. According to the rates effective from January 1966 and applicable to the rest of the country the rates in Goa should have been :—

(i) Fifty paise (Twenty-five paise from May 1974) for 48 routes with radial distance up to 20 kilometres.

(ii) Re. 1 in respect of 70 routes having radial distances exceeding 20 kilometres but not exceeding 50 kilometres and

(iii) Rs. 2 in respect of 2 routes having radial distances exceeding 50 kilometres and above but not exceeding 100 kilometres.

3.7. According to an estimate made by the Posts & Telegraphs Department in October 1975, Rs. 3.28 lakhs were realised less as trunk call charges during 16th January 1966 to 31st March 1974 due to non-revision of trunk call charges in Goa.

[Paragraph 11 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government, (Posts & Telegraphs)]

3.8. It is seen from the Audit Paragraph that on the liberation of Goa, the five telephone exchanges functioning there were taken over by the Posts & Telegraphs Departments in December 1961 and it was decided in February, 1962, to retain the flat rate of 50 paise as trunk call charge between all exchanges in Goa, as was being done by the Ex-Portuguese Administration. The Committee desired to know the main considerations on which in February, 1962, the above decision was taken. In a written note furnished to the Committee, the Ministry of Communications (P&T Board) have stated as under :

"At the time of taking over possession of Goa by the Indian Administration in December, 1961 there were 5 exchanges in that area *viz* :

(1) Panjim

(2) Mapuca

(3) Margoa

(4) Marmugao

(5) Vasco-da-Gama

The Portuguese Administration used to levy an average rate of 50 paise for a trunk call between any two of these exchanges. According to trunk tariff prevalent at that time in the Indian P&T Department the following trunk call charges would have been applicable between the exchanges in Goa.

Panjum/Vasco	—Mapuca	—30 paise
"	—Margoa	—60 paise
"	—Marmugao	—30 paise
Marmugao	—Margoa	—60 paise
"	—Mapuca	—30 paise
Margoa	—Mapuca	—60 paise

If trunk call charges as prevalent in the P&T Administration had been levied for calls between exchanges in Goa it would have resulted in reduction of the existing charge by 20 paise in some cases and increase by 10 paise in other cases. The case was, therefore, examined and with a view to simplification in the matter of pricing and of accounting procedures as well as with a view to maintain in prevalent conditions undisturbed in Goa area as far as possible it was decided to levy the average rate of 50 paise for all trunk calls."

3.9. Asked whether the period till which the rate would remain in force was decided at that time, the Ministry have further stated :

"The period up to which this special rate will remain in force had not been specified."

3.10. According to Audit Paragraph, twelve more exchanges were opened in the Goa area up to March 1974 and the uniform rate of 50 paise per unit call up to 3 minutes duration continued to be charged for these exchanges as well. The trunk call tariffs were revised (except in Goa) in October 1962 to 30 paise for radial distances up to 20 kilometres and 50 paise for radial distances exceeding 20 kilometres but not exceeding 40 kilometres. These tariffs were further revised in January 1966 and May 1974 as shown below :

	Rates as revised from	
	January, 1966	May, 1974
	Rs.	Rs.
Up to 20 kilometres	0·50	0·25
Exceeding 20 kilometres but not exceeding 50 kilometres.	1·00	1·00
Exceeding 50 kilometres but not exceeding 100 kilometres	2·00	2·00

3.11. In Goa the old flat rate of 50 paise per call continued to be applied. When asked to indicate the reasons for not introducing the trunk tariffs rates in Goa on the basis of the changes in rates effected in October, 1962, January, 1966 and May, 1974 and whether the financial implications of these charges were worked out in respect of the Goa exchanges at the time of introduction of the said rates in the country on all the three occasions, the Ministry of Communications have informed the Committee as follows :

> "When the trunk tariffs were revised in October, 1962, January, 1966 and May, 1974 no re-examination was made in regard to the retention or otherwise of the special rates prescribed for Goa at the time of taking over. It was, therefore, not a case of deliberate decision to continue the existing rates after examination of the financial implications."

3.12. In March, 1975, the Posts and Telegraphs Department extended the rates applicable to the rest of the country to the exchanges in Goa. As stated by Audit according to an estimate made by the Posts & Telegraphs Department in October, 1975, Rs. 3.28 lakhs were realised less as trunk call charges during 16th January 1966 to 31st March 1971 due to non-revision of trunk call charges in Goa.

3.13. In clarification of the above position, covering the entire period from January 1962 to March 1975, the Ministry in a note furnished to the Committee have stated as under :

> "The average number of effective trunk calls per annum over a period of 5 years was about 4 lakhs. Of these, based on percentages observed in other similar areas, approximately 60% (2,40,000 calls) would have been in the 0-20 kms slab and 20% (80,000 calls) in the 20-40 kms slab. The trunk call tariff applicable from various dates were as follows :

Distance slab	Trunk call rate applicable from			
	December, 1961	October, 1962	January, 1966	May, 1974
0—20 . .	30 paise	30 paise	50 paise	25 paise
20—40 .	60 paise	50 paise	Re. 1·00	Re. 1·00

> In view of the fact that the 50 paise rate applied in Goa was generally higher than or equal to the rate prescribed for the 0-20 distance slab there was a gain by adopting the special rate. On the other hand there was a loss in the 20-40 kms slab as the 50 paise rate was generally lower than or equal to the rate applicable in P&T. The combined effect of the gain and loss

has been computed for the entire period January, 1962 to March, 1975 as follows :

Period From	To	Duration in years	Gain in the 0-20 kms slab	Loss in the 20-40 Kilometres slab
Jan. 62—	Sept. 62	3/4	2,40,000 × 3/4 × 20/100 Gain = Rs. 36,000	80,000 × 3/4 × 10/100 = Rs. 6,000
Oct. 62—	15-1-66	39·5/12	2,40,000 × 39·5/12 × 20/100 Gain = Rs. 1,58,000	..
16-1-66—	April 1974	99·5/12	..	80,000 × 99·5/12 × 50/100 = Rs. 3,32,000
May-74-	March 75	11/12	2,40,000 × 11/12 × 25/100 Gain = Rs. 55,000	80,000 × 11/12 × 50/100 = Rs. 37,000
Total			(Total Gain 2,49,000) Net loss	Rs. 3,75,000 Rs. 1,26,000

3.14. It will be seen from the above that there was a net loss of Rs. 1,26,000 due to non-introduction of the all country trunk call rates in Goa during the period from January 1962 to March 1975.

3.15. The Committee note that the trunk call rates of 60 paise in respect of radial distances exceeding 20 Kilometres and 30 paise for radial distance upto 20 Kilometres, then prevailing in the country, were not extended and made applicable to the five telephone exchanges in Goa after they were taken over by the Posts & Telegraphs Department in December, 1961, on liberation of Goa. Instead, it was decided in February, 1962 to retain the old flat rate of 50 paise for a trunk call of 3 minutes duration between all the exchanges in Goa as were being charged by the Portuguese Administration before liberation. This uniform rate continued to be charged even after 12 more exchanges were opened in Goa upto March, 1974. At the time of taking a decision, the period upto which the flat rate was to remain in force in Goa was not specified. According to the Ministry of Communications, the flat rate was retained in Goa as no loss was expected to the Department but on the other hand it had the advantage of simplification in the matter of pricing and of accounting procedures, besides maintaining the prevalent conditions undisturbed in Goa.

3.16. The Committee see no reason why the financial implications of the retention of flat rate in Goa telephone exchanges were not worked out when based on detailed calculations, the trunk tariffs were revised for the rest of the country in October, 1962, January, 1966 and May, 1974. Though there was an additional revenue of Rs. 1.58 lakhs up to 15 January 1966 on account of the retention of the flat rate of 50 paise, the Posts and Telegraphs Department had to undergo a loss of Rs. 3.32 lakhs during the period between 16 January 1966 and April, 1974 owning to the non-introduction of All-India Trunk Call rates in Goa. The Committee would like the Department to take suitable measures to obviate recurrence of such instances.

TRUNK TELEPHONE CARRIER SYSTEM BETWEEN KOTA AND AGRA

Audit Paragraph

4.1. In 1962, a three channel carrier system was functioning between Kota and Agra; two of the channels were carrying the trunk calls traffic between Kota and Jaipur (via Agra) and the third between Kota and Agra. On an average, out of 80 trunk calls booked daily between Kota and Agra, about 34 (43 per cent) used to be ineffective. Similarly, on an average about 38 out of 104 trunk calls booked daily between Kota and Jaipur used to be ineffective. In November 1962, the Director, Posts and Telegraphs, Rajasthan, proposed installation of a 8 channel carrier system between Kota and Agra, which was expected to meet the increasing demand of trunk traffic from the fast developing industrial town of Kota for the next few years. A project estimate for Rs. 1.50 lakhs was sanctioned by the Director General, Posts and Telegraphs in December 1962 for installation of the equipment required for this purpose; retransposition of the wires between Kota and Agra, for which the carrier equipment was to be installed, had already been sanctioned earlier in August 1960 for Rs. 6.45 lakhs.

4.2. Detailed estimate for the carrier equipment was sanctioned for Rs. 1.36 lakhs in March 1963; installation of the equipment was expected to be completed within 2 months after receipt of the equipment. Orders for the equipment were placed in January 1964 and the equipment was received in March 1964. The Installation Engineer for the work informed the Divisional Engineer, Telegraphs, Jaipur in December 1964 that the installation of equipment was held up for want of accommodation at Hindaun for repeater station and delay in retransposition of wires between Kota and Agra. Though accommodation at Hindaun was hired in November 1964, the work of retransposition of wires could commence only in November 1966, when sufficient quantities of stores, indented for the work in November 1960, were received. In the meantime the carrier equipment (cost Rs. 1.85 lakhs) received in March 1964 was transferred in March 1966 to be utilised for installation of 8 channel carrier system between Jabalpur and Bhopal.

4.3. The retransposition of wires was completed in December 1967 and tested in August 1968. Although it had already been decided in September 1967 to divert the equipment for the 8 channel carrier system for Jaipur—Jodhpur route to Kota—Agra route, the equipment was received for the Kota—Agra route only in January 1969. The 8 channel carrier system for Kota—Agra route was commissioned in February 1969. There were, however, frequent thefts of copper wire from Hindaun-Agra section and as the gaps caused were restored by using iron wire due to non-availability of copper wire, the route became unsuitable for standard performance of the 8 channel carrier system. As the system was not working satisfactorily, the 8 channel carrier system between Kota and Agra was closed in December 1970; the

carrier equipment was dismantled and transferred in September 1971 for Bhatinda—Abohar route.

4.4. With a view to remedying the problem of thefts of wires the copper wires on Kota—Agra route were replaced by aluminium wires between June 1972 and October 1973 at a cost of Rs. 12.28 lakhs. Though another set of carrier equipment was obtained (December 1972) by diversion from other works and installed in December 1972, it could be commissioned only in September 1974 for the following reasons :

(a) On testing in March 1974 the performance and attenuation of wires on the route was not found upto the standard.

(b) After the construction faults were rectified and the wires lined up for re-testing, the wires and posts over a stretch of 2 kilometres were uprooted in a cyclone in May 1974.

(c) After repairs when the wires were again lined up for testing in June 1974 yet another storm caused a breakdown.

4.5. The following details collected by the Department, as random samples of trunk calls booked on certain dates, before and after commissioning of the 8 channel carrier system between Kota and Agra in September 1974, indicate the extent to which the trunk calls did not materialise :—

Date	Number of trunk calls booked	Number of calls connected	Number of calls which could not be connected due to		Loss of revenue on ineffective calls, due to departmental reasons on the day in question
			Subscribers' reasons	Departmental reasons	
	(The figures in brackets indicate percentage)				
					Rs.
12th April 1973	58	21 (36)	11 (19)	26 (45)	130
25th July 1973	45	16 (36)	6 (13)	23 (51)	115
3rd Octber 1973	49	11 (23)	5 (10)	33 (67)	165
16th January 1974	43	25 (58)	8 (19)	10 (23)	50
3rd April 1974	70	26 (37)	9 (13)	35 (50)	175
3rd July 1974	25	5 (20)	5 (20)	15 (60)	105
9th October 1974	25	4 (16)	..	21 (84)	147
2nd January 1975	30	20 (67)	4 (13)	6 (20)	42
2nd April 1975	52	..	..	52 (100)	364

]Paragraph 21 of the Report of C&AG for the year 1974-75, Union Government (P&T)]

4.6. According to the Audit Paragraph a project estimate for Rs. 1.50 lakhs was sanctioned by the Director General, Posts and Telegraphs in December, 1962 for installation of a 8-channel carrier system between Kota and Agra which was expected to meet the increasing demand of trunk traffic from the fast developing industrial town of Kota. The installation of carrier equipment was held up for want of accommodation at Hindaun for repeater station and due to delay in retransposition of wires between Kota and Agra. The Committee desired to know whether the position about the retransposition of wires on which carrier equipment was to be installed and the need for accommodation at Hindaun for the repeater station was known at the time of placement of order for the carrier equipment. The Ministry of Communications (P&T Board), in a written note furnished to the Committee, have stated as under :—

> "A supply order for the 8-channel carrier equipment between Agra and Kota was placed in January, 1964. At the time of placing the order, the need for retransposition of the line pair between Kota and Agra was known and the detailed estimate for the retransposition work had been sanctioned earlier by the Director. Posts and Telegraphs, Rajasthan in August, 1960. The position regarding the need for accommodation at Hindaun for the repeater equipment was also known and the accommodation was hired in November, 1964. The major snag in the commissioning of the equipment was the non-availability of a properly transposed pair on which the carrier system could be installed. This retransposition work, though planned in 1960, could not be commenced till November, 1966 due to non-receipt of line stores."

4.7. The Committee have been further informed by the Ministry that according to the specification in the detailed estimate for the retransposition of the wires, the work was expected to be completed in 12 months after receipt of all the stores. The indents for the stores were released by the Circle in November, 1960 but most of supplies were received during the year 1965 and 1966.

4.8. As regards the reasons for the delay in receipt of these and the efforts made to obtain the supplies in time, the Ministry of Communications have added :—

> "Prior to 1958, there were mainly two types of alignments in the country, C-8 lines for carrier frequency working and non-C-8 lines for VF (Voice Frequency) working. Around that time, the 8-Channel carrier system was designed by the Tele-communications Research Centre (TRC) for indigenous production by ITI and a new transposition scheme (NCJ Scheme) for the non C-8 lines was also evolved by the TRC so that the non C-8 lines could, after suitable retransposition, be made suitable for

8-channel carrier working. These steps were taken in order to make the best use of non C-8 lines, which existed on a very large scale in the country and to avoid fresh investment in new carrier lines where the needs could be met be retransposition of the existing lines. As a result thereof, it was decided in 1958 to retranspose a number of non-C-8 lines in the country to render them suitable for 8-Channel carrier working. The case of retransposition of Agra—Kota lines was one such. Though several lines were approved for retransposition, the quantity of stores available was rather limited compared to the large-scale requirements for meeting the needs all over the country.

Owing to limited availability of stores in the department for all the retransposition work programmed at that time it was not possible to arrange for supply of stores for the Agra—Kota route earlier."

4.9. The work of retransposition of wires could commence only in November 1966, when sufficient quantities of stores, indented for the work in November 1960, were received. In the meantime the carrier equipment already received in March 1964 was transferred in March 1966 to be utilised for installation of 8-channel carrier system between Jabalpur and Bhopal. When asked whether any attempt was made to ascertain as to when the retransposition work was likely to be commenced and completed before diverting the equipment in March 1966, the Ministry of Communications have stated as under :—

"The 8-channel carrier equipment was diverted from the Agra-Kota route to the Jabalpur-Bhopal route to meet some urgent requirements of the Defence in that area. There is no record to indicate as to whether or not the probable commencement and completion dates for the retransposition work in the Agra-Kota section were considered before the carrier equipment was diverted to the Jabalpur-Bhopal Section. However, by this diversion, not only were the Defence needs met but revenue was earned by the equipment, which would otherwise have been lying idle on the Agra-Kota route, for want of retransposed line."

4.10. It is seen from the Audit para that the 8-Channel Carrier System for Kota-Agra route was commissioned in February 1969. There were, however, frequent thefts of copper wires from Hindaun-Agra Section and as the gaps caused were restored by using iron wires due to non-availability of copper wire, the route became unsuitable for standard performance of the 8-Channel carrier system and had to be closed in December 1970. The Committee enquired of the Ministry as to when the Department came to

know about the copper wires thefts in the Hindaun-Agra Section. The Ministry of Communications have stated as under :—

"Copper wire thefts have been taking place on P&T alignments for quite a few years and the menace had been prevalent in all the States. There are instructions to all concerned that as soon as the thefts are noticed, the cases should be reported to the Police. The incidence of copper wire thefts on a trunk pair normally comes to the notice of the Department soon after its occurrence because of the failure of communications. In the case of Hindaun-Agra Section copper wire thefts were noticed by the Circle and reported to the Police authorities."

4.11. The Ministry have further added in this regard :—

"In order to combat this menace several measures were taken by the Department as follows :

(i) The issue was essentially a law and order problem. The theft cases were taken up by the local Telecommunication Circles with the local Police authorities at periodical meetings where programmes were chalked out from time to time for tackling the problem. The matter was also taken up by the P&T Directorate and the Home Ministry with the Chief Secretaries of the States to give greater attention to this problem and to take stringent measures for apprehending the culprits.

(ii) Special Police Cells were also set up in some States and the line patrols were intensified in some of the theft-affected sections.

(iii) Along the major trunk routes, coaxial/microwave systems were being planned and installed by the Department so that copper wires on open alignments could be progressively dismantled.

(iv) Steps were also taken by the Department to replace the copper wires either by aluminium wires or by copper-weld wire.

(v) The Telegraph Wire Unlawful Possession Act was amended in August 1975 providing for a specified minimum punishment to the culprits. In the amendment provision was also made for confiscation by the Court of the conveyance used for the transport of stolen wires."

4.12. Asked whether the question of suitability of the iron wires for the working of carrier system was examined before going in for this provision, the Ministry of Communications, in a written note, have stated as under :—

> "On the Agra-Kota pair, a 3-channel carrier system was already-working, as mentioned in the Audit Para. Whenever a copper wire theft took place on this pair, this sysetm would get affected immediately and the trunk circuits would be out of order. In order to restore the communication with the least possible delay, the general practice was to make temporary repairs by the use of iron wires, which were more easily available than copper wires, and to restore the carrier system to a working level. It was the normal practice to replace such iron wires subsequently by copper wire for making permanent repairs."

4.13. Stating the reasons for not replacing the iron wires with copper wires, the Ministry have further stated :—

> "Unfortunately the rate of thefts was increasing so fast that it was difficult to take up permanent repairs by copper wire as more and more sections were getting affected by thefts and more temporary repairs by iron wire were being made as a result thereof. The copper wire thefts and replacement by iron wire were almost a continuous process causing grave concern to the Department and affecting the working of the Carrier systems very badly. While it was not the intention to leave the iron wires on the line in patches, which were put in merely for making temporary repairs in theft affected sections, it turned out to be a fact that more and more lengths of iron wire were being left on the lines and this rendered the lines unsuitable for carrier working."

4.14. It is seem from the Audit Para that with a view to remedying the problem of thefts of wires, the copper wires on Kota-Agra route were replaced by aluminium wires between June 1972 and October, 1973 at a cost of Rs. 12.28 lakhs. The Committee desired to know whether the question of utilising alminium wires was considered at the time of provision of iron wires. The Ministry of Communications (P&T Board), in a written note furnished to the Committee have stated that :—

> "From transmission considerations, it was not desirable to have mixed gauges of wire, viz. Copper and ACSR, in a full repeater section as between Agra and Kota and it was necessary that the entire pair should have been of copper, or be replaced by ACSR completely. The use of ACSR wire in place of copper wire was at that time, i.e. during 1966 to 1970 under the consideration

of the Department as a solution to overcome the menace of copper wire thefts and a final decision was taken for the use of ACSR sometime in early 1972. However, the quantity of ACSR wire required for replacement of all the carrier pairs in the country installed over a very long period was very large while the supply from indigenous sources was rather limited. Adequate quantities of ACSR wire were thus not available at that time for use in all the theft affected areas."

4.15. After introducing the aluminium wires in the Kota-Agra route, another set of carrier equipment was obtained (December, 1972) by diversion from other works and installed in December, 1972. It could, however, be commissioned only in September, 1974. The Committee desired to know the potential loss of revenue due to the delay in the commissioning of the 8-channel carrier system. The Ministry of Communications, in a written note, have stated :—

"It may not be correct to interpret that there was a potential loss of revenue due to the delay in the commissioning of the 8-channel carrier system. A 3-channel carrier system was working on the Agra-Kota route and trunk calls were being put through on the circuits provided by the system. Calls were becoming ineffective whenever the circuits were interrupted, the main reason for which was the frequent incidence of copper wire thefts, as a result of which there was loss of revenue also. In order to meet the growing needs for more circuits, an 8-channel carrier system was planned for this route and it was anticipated that more revenue would be earned after the system was commissioned. However, for reasons of non-availability of line materials and owing to copper wire thefts, the re-transposition of the Agra-Kota line could not be completed till 1974 as a result of which the 8-channel carrier system could not be commissioned. The equipment for the 8-channel carrier system was received as per the planned programme but the system was diverted to another route (Bhopal-Jabalpur) where it was installed and revenue was earned by the system. It was not that the system was available at site lying idle without earning revenue and therefore it cannot be held that there was potential loss of revenue from a system which could earn the revenue. The fact was, there was a plan to retranspose the line and instal a system but the plan could not be implemented for sometime for reasons beyond control. This is not a case of an investment of the Department lying unused leading to loss of revenue."

4.16. It is seen from the Audit Para that there was no marked improvement in increasing the effective trunk calls between Kota and Agra

route. When asked to state the steps taken by the Department of P&T from time to time to improve this trunk system, the Ministry of Communications have stated in a written note :—

> "As the trunk circuits were getting affected due to copper wire thefts, the percentage of effective trunk calls was also getting affected, which was a matter of concern for the Department. In order to overcome the situation as also to modernise the trunk services in the country, the Department planned broad-band coaxial and microwave systems with capacity for a large number of trunk channels for putting through more trunk calls and for providing better services like Subscriber Trunk Dialling and no-delay trunk services. The microwave system from Delhi to Bombay *via* Agra-Kota-Indore has now been installed upto Dhullia and Kota and Agra are connected by circuits on the microwave system. The present trunk traffic between Agra and Kota is about 111 calls per day and the effective percentage is 69.3% which is much higher than the effective percentage in the earlier years when the service was provided on open wire carrier systems."

4.17. The Committee note that a project estimate for Rs. 1.50 lakhs was sanctioned by the Director General, Posts and Telegraphs in December, 1962 for installation of the 8-channel carrier system between Kota and Agra to meet the increasing demand of trunk traffic from the fast developing industrial town of Kota. Installation of the equipment, already received in March, 1964, was held up for want of accommodation at Hindaun for repeater station and due to delay in re-transposition of wires between Kota and Agra. The re-transposition work, though planned in 1960 could not be commenced till November, 1966 due to the fact that it took five to six years in receiving the line-stores. The Ministry have submitted that as a result of the decision taken in 1958 to re-transpose a number of non-C-8 lines in the country to render them suitable for 8-channel carrier working, the limited quantity of stores available at that time fell short of the large scale requirements for meeting the needs all over the country.

4.18. The Committee are distressed to note that though the work of re-transposition of wires was commenced in November, 1966, there is no record available in the Ministry of Communications to indicate as to whether or not the probable commencement and completion dates of the re-transposition work in the Agra-Kota section were considered before the carrier equipment, received in March, 1964, was transferred in March, 1966 to be utilised for installation of 8-channel system between Jabalpur and Bhopal. The re-transposition work of wires was completed in December, 1967 and tested after 8 months in August, 1968. Although it had already

been decided in September, 1967 to divert the equipment for the 8-channel carrier system for Jaipur-Jodhpur route to Kota-Agra route, it was only in January, 1969 that the equipment for the Kota-Agra route was received. The Committee feel that had timely action been taken to transfer the equipment in 1967 as scheduled, the 8-channel carrier system for Kota-Agra route would have been commissioned in early 1968. The Committee are led to the inescapable conclusion that the delay in commissioning the system was as much due to procedural defects as the failure on the part of those responsible for its execution. The Committee would like that conclusive and effective steps are taken to see that such delays do not recur.

4.19. The Committee note that the 8-channel carrier system for Kota-Agra route, commissioned in February, 1969, was handicapped due to the frequent thefts of copper wires from Hindaun-Agra section and as the gaps caused were restored by using iron wires due to non-availability of copper wires, the route became unsuitable for standard performance of the 8-channel carrier system. The Committee further note that despite several measures taken by the Department of Posts and Telegraphs to combat the menace of thefts, it continued unabated and as a result thereof the 8-channel carrier system between Kota and Agra was closed in December, 1970, the carrier equipment being dismantled and transferred in September, 1971 for Bhatinda-Abohar route. What has caused concern to the Committee is the fact that the menace of thefts of telecommunication wires has spread all over the country; it needs to be tackled effectively. The Committee have dealt with this aspect at length in their 122nd Report (Fifth Lok Sabha—April, 1974).

4.20. It was pointed out to the Committee that it was not desirable to have mixed gauges of wires, viz. Copper and ACSR in a full repeater section as between Agra and Kota and it was necessary that the entire pair should have been of copper or be replaced by ACSR completely. With a view to remedying the problems of thefts of wires the copper wires between Kota-Agra route were replaced by aluminium between June, 1972 and October, 1973 at a cost of Rs. 12.28 lakhs. The Committee are, however, unable to understand why the aluminium wires were not tried before closing the 8-channel carrier system of Kota-Agra route in December, 1970, particularly when the whole question of using the ACSR wires was already under consideration at that time. The Committee are further distressed to note that though another set of carrier equipment was recieved by diversion from other works and installed in December, 1972, it could be commissioned only in September, 1974.

4.21. The Committee note that in 1962 a 3-channel carrier system was functioning between Kota and Agra and on an average out of 80 trunk calls booked daily between Kota and Agra about 34 (43%) used to be ineffective. It is a matter of regret that even after commissioning the 8-channel carrier system in 1974 after a lag of 12 years, the percentage of effective calls between Kota and Agra has been far from satisfactory.

From the random surveys carried out it is gathered that 84% of the calls booked on 9 October, 1974 and 100% calls booked on 2 April, 1975 could not be connected due to departmental reasons alone. It appears to the Committee that the whole project was conceived and executed in a lackadaisical manner. The Committee would like that a thorough investigation should be conducted with a view to identify the reasons for the shortcomings and to take concerted measures to remedy them. The Committee would like to be apprised of the action taken and the results achieved in this regard.

IMPORT OF "NO-BREAK POWER PLANTS"

Audit Paragraph

5.1. Most of the co-axial cable stations in the country were having single rotary type "no-break power plants" to provide uninterrupted power supply to the co-axial cable system in the event of power failure. No stand-by plants of this type being available at these stations, there were difficulties in carrying out proper maintenance repairs of working plants. Global tenders were, therefore, invited in February 1970 for 137 sets of a new static type "no-break power plants."

5.2. Nineteen tenders were received in June 1970. The lowest and the second lowest tenders were from two firms in the same foreign country. Since the Posts and Telegraphs Department did not have any experience of dealing with the firm which had offered the lowest price, the India Supply Mission in that foreign country was requested (June 1970) to make enquiries and intimate the standing, performance and capacity of the firm to make the supply, and whether similar plants had been supplied by the firm to Government and non-Government agencies in that country, as claimed by it. No report was received from the Mission by the time the Tender Evaluation Committee, set up to evaluate the offers, recommended (July 1970) the acceptance of the lowest tender.

5.3. An advance order was placed on the lowest tenderer (firm 'X') by telex in August 1970 for supply of 147 "no-break power plants" (quantity increased with reference to subsequent demands received from units) and spares at a total cost of 7.63 lakhs U.S. dollars (about Rs. 57.28 lakhs). The Department stated (January 1976) that "the information supplied by the lowest tenderer with the tender and in the correspondence thereafter gave reasonable proof of the capacity of the company for executing the contract....."

5.4. According to the formal acceptance of tender issued in November 1970, the plants and the spares were to be supplied between April 1971 and March 1972. Firm 'X' had agreed (July 1970) to the inspection and testing of the plants at its premises by the Department's representative before they were packed for despatch. The acceptance of tender, however, provided that the inspection of the equipment would be carried out during and after installation by the Department. The Department stated (January 1976) that the "normal procedure regarding inspection of imported materials as prevalent at that time in the Department was adopted in this case."

5.5. At the request of the supplier, the Department deleted in June 1971 the clause in the acceptance of tender requiring firm 'X' to furnish a

bank guarantee for the amount of each of its bill to safeguard the Department against any loss from the date of shipment to three months after the receipt of consignment at the port in India. The Department stated (January 1976) that the bank guarantee "was intended to cover any possible loss to the department due to inappropriate supplies. It was felt that we need not insist on this as chances of wrong supplies were remote. Subsequent events have shown that there was no case in which the shipment received was inappropriate".

5.6. Payment was made in full against documents of shipment. Shipment was completed by August 1972. On receipt of the plants at the places where these were to be installed, some damages were noticed. The Department stated in January 1975 that the parts, lost or damaged in transit, were being procured in the first instance by the Department itself and respective claims were lodged with the Life Insurance Corporation subsequently.

5.7. Under the acceptance of tender firm 'X' was responsible to remedy at its cost and "at site" in India, all defects arising from faults in materials, design or workmanship, as detected and notified upto twelve months after the plants were taken over. After commissioning most of the plants went out of order or had a high incidence of failures of the components. The Director General, Posts and Telegraphs informed the supplier in September 1972 that out of eight sets of plants energised, four had failed immediately and another two after working for a few days. In respect of forty nine plants commissioned upto June 1973, the Director General, Posts and Telegraphs sent (June 1973) to firm 'X' fifty reports about failures of components which had occurred during the period of warranty and asked the firm to replace the faulty components. In December 1973, the Department requested the Indian Embassy in the foreign country to use its good offices to persuade firm 'X' to honour its commitments. On being contacted by the Embassy, firm 'X' asked the Department (January 1974) to return the defective components to it for evaluation of defects and assured despatch of replacements, after they were manufactured. The defective components (value Rs. 3.21 lakhs) were despatched by the Department between July 1974 and November 1974. In the meantime, in May 1974, the Director General, Posts and Telegraphs requested firm 'X' to depute its engineers to India for assessing the problems stating that functioning of most of the plants; by and large, was "very unsatisfactory"; no representative of firm 'X' appears to have visited India for this purpose. When the supplier failed to supply the replacements, the Director General, Posts and Telegraphs again wrote to the Embassy in December 1974. In April 1975, the Embassy informed the Department that necessary action would be taken under intimation to the Department. While replacements of defective components were awaited from the supplier, the Department had to place an order on firm 'X' for components worth Rs. 8.43 lakhs in March 1975, to keep the 71 plants, which had been installed till September 1974, in working condition.

5.8. In September 1974, the position of installation and performance of the plants was as under :—

Region	No. of plants installed and working after replacement of faulty components.	No. of plants installed but not working.	No. of plants not installed.	Total No. of plants.
Bombay	12	9	16	37
Madras	15	2	10	27
Delhi	25	..	17 (faulty)	42
Hyderabad	8	..	33	41
Total	60	11	76	147

5.9. Four sets of spares costing Rs. 2.42 lakhs were imported along with the plants for the four depots where these were to be kept. Because of the high incidence of failures of components these spares proved insufficient. Therefore, in February 1974, it was decided to obtain the essential spares by cannibalising components from un-installed plants. In June 1974, the Director General, Posts and Telegraphs approached the Director General, Technical Development seeking permission to import additional spares, which included (i) spares not imported earlier but found necessary later after watching the performance of plants and (ii) more quantities of spares of the types already imported due to their rate of failure being higher than anticipated. In December 1974, the Director General, Posts and Telegraphs issued, instructions to the effect that every effort should be made to keep the installed plants in working condition rather than concentrating on commissioning of the remaining plants. As mentioned earlier, an order for spares costing Rs. 8.43 lakhs (1.22 lakhs U.S. dollars) was placed on firm 'X' in March 1975. Since the additional spares were not expected before July 1975, further installation of plants had to be postponed till such time the additional spares were available.

5.10. The Department stated (January 1976) that because of the varying voltage of current, frequent phase failures and interruption of long durations in the power supply from commercial mains, voltage regulators, phase tripping equipments and engine alternators had also to be installed as protective and supporting equipment to the "no-break power plants".

[Paragraph 23 of the Report of Comptroller and Auditor General of India for 1974-75—Union Government (P&T)]

PLACEMENT OF ORDER

5.11. As stated in the Audit Para, most of the co-axial cable stations in the country were having single rotary type "no-break power plants" to provide uninterrupted power supply to the co-axial cable system in the event of power failure. No stand-by plants of this type being available at these stations, there were difficulties in carrying out proper maintenance repairs of working plants. Global tenders were, therefore, invited in February 1970 for 137 sets of a new static type "no-break power plants."

5.12. In response to the said tender enquiry, 19 offers were received in June, 1970. The lowest offer was from M/s Teledyne INET, U.S.A., one of the companies of the group Teledyne INC. A telex was sent to M/s Teledyne on 15 June, 1970 to elicit information on performance of their units supplied to other firms. Information was received from M/s Teledyne on 27 June 1970. Earlier, Indian Supply Mission, Washington, was addressed on 23 June, 1970 seeking information about the performance, standing and the capacity of this firm. No report was received from the Mission by the time the Tender Evaluation Committee set up to evaluate the offers, recommended in July 1970 the acceptance of the lowest tender. Consequently, an advance order was placed on M/s Teledyne INET, U.S.A. for supply of 147 "no-break power plants" (quantity increased with reference to subsequent demands received from units) and spares at a total cost of 7.63 lakhs US dollars (about Rs. 57.28 lakhs).

5.13. The Committee desired to know the reasons for placing the supply order on the firm even without waiting for the requisite information concerning the firm called for from the India Supply Mission, Washington. The Member (TD), P&T Board, has informed the Committee during evidence :—

> "In this case of Teledyne, when the tenders were received and scrutinised, it was found that firstly their offer was the competitive one and it was the lowest priced one. This was amongst six other offers that were being scrutinised. The matter was then referred to the firm itself because they claimed that they had produced these plants. We wrote to the firm to tell us what was their experience in the supplies to others. We also raised some technical queries about the offer they had made. They mentioned that they had been the supplier to the American Defence establishments and other areas all over the world. We wrote this letter on 15-6-70. Since we did not receive any reply till 23-6-70 a letter was sent to the ISM, Washington asking for information about this company. That was by a Telex on 23-6-70. In the meanwhile, a reply was received from the firm which elaborated a large number of organisations who were extremely reliable and to whom the no-break power plants

had been supplied by them. Having received this information and having not received anything further from the ISM, Washington, the matter was considered on merits. A Committee was set up for the purpose to evaluate that. That Committee recommended this offer after a technical scrutiny of the same. And then the orders were placed on the firm."

5.14. Elucidating the position further, the Secretary, Ministry of Communications, has deposed :

"A reply came from the firm—a very detailed reply—indicating the supplies that they were making to a number of defence establishments and the standing of the firm as to how big it is and about their spread of operation. I tried to obtain the latest information from the U.S. Bulletin of Information about the firm. This firm is a very big firm. Its operation was of 1.7 billion dollars in 1976 employing about 45,400 people and the range of products was electronics, control systems and communication electronics, turbines, engines etc. With this background, the firm was a large operating firm, and with the information they supplied to us on 23rd June, one would know that we were going to place the order with a firm which had a considerable amount of experience in supplying this equipment. The reply from Washington was not awaited in processing the case. I admit that having made a reference to Washington, we should have waited; we should have waited for the reply. We should have done that. The fact was that the letter came in detail from the firm itself. Had the letter come three or four days earlier, the reference to Washington would not have been made."

5.15. To a question whether the reference made to the Supply Mission was pursued with them, the Secretary, Ministry of Communications, replied in negative.

5.16. The Committee desired to know whether the Evaluation Committee were apprised of the reference having been made to the Supply Mission, and if so, the action taken by the Evaluation Committee thereon. In a note, the Post and Telegraphs Department have informed as follows :

"The letter addressed to ISM Washington was signed by an officer of this department who was also a member of the Evaluation Committee. The other members of the Evaluation Committee might have known about this letter through him. There is no mention of this reference in the report of Evaluation Committee.

The quotations of the lowest and the second lowest tenderers are given below :

Name of the firm	5KVA	7KVA	10KVA
M/s Teledye I net . . .	31,762·50	38,137·50	46,950·00
M/s Static Products Inc. . . (through M/s Bali International Agency)	43,514·00	51,825·00	53672·00"

5.17. Asked whether the Department had made any independent enquiries about the standing of the firm from the Organisations/Agencies to which the firm had already supplied the "no-break power plants", the P&T Department have stated as follows :

> "From the records it appears that no references have been made to the organisations to whom the no-break power plants were said to have been supplied by the firm. Except the letter addressed to ISM Washington, no other independent enquiry was made."

Inspection of the no-break power plants

5.18. According to the formal acceptance of tender issued in November, 1970, the plants and the spares were to be supplied between April, 1971 and March, 1972. The firm had agreed in July 1970, to the inspection and testing of the plants at its premises by the Department's representative before they were packed for despatch. The acceptance of tender, however, provided that the inspection of the equipment would be carried out during and after installation by the Department.

5.19. The P&T Department informed Audit in January, 1976 that normal procedure regarding inspection of imported materials as prevalent at that time was adopted in this case.

5.20. The Committee asked about the normal procedure regarding inspection of imported material prevalent at the time of the purchase as also any modification made therein subsequently. In a note*, the P&T Department have intimated as follows :

> "The general principle adopted in testing stores obtained from overseas manufacturers is that they are normally tested for performance only in India. An exception, however, is made in the case of equipments for which detailed specifications are laid down in respect of major elements of the equipment and which can be tested conveniently for their individual performance before they are assembled as a whole product in the manufacturer's premises. An example, where tests are not carried out in the manufacturer's premises is the automatic exchanges which are produced as a large number of component

*Not vetted in Audit.

elements is shipped to India installed as a whole exchange here and then only can be tested for the performance. An example where testing is carried out at the manufacturer's premises is 'underground cables' for which detailed specifications in regard to the conductors, paper insulation, sheathing, formation into units and their total performance is laid down. This can be tested and inspected conveniently in the manufacturer's premises. Any defects that may exist in manufacturer would also come to notice only when its inspections is carried out in the manufacturer's premises and these cannot be detected at site.

The Teledyne power plants are complete units of equipment for which only the overall performance requirements are specified and not significant advantage can be derived, were they to be inspected in the manufacturer's premises. The requisite tests and inspections could conveniently be carried out in India after their receipt."

Delton of the Bank Guarantee Clause

5.21. At the request of the firm, the Department deleted in June, 1971, the clause in the acceptance of tender requiring the firm to furnish a bank guarantee for the amount of each of its bills to safeguard the Department against any loss from the date of shipment to three months after the receipt of the consignment at the port in India. The Supplier had informed the P&T Department in March, 1971 that the banking laws and regulations of the U.S.A. did not permit U.S.A. Bankers to furnish such a guarantee. The Committee enquired whether while accepting the request made by the firm, the P&T Department had satisfied themselves about the genuineness of the plea advanced by the firm that the banking laws and regulations of the U.S.A. did not permit U.S.A. banks to furnish such a guarantee. The Committee also asked for the alternative measures taken in safeguarding the interests of the Government. In a note*, the P&T Department have stated as follows :

"The second bank guarantee clause reads as follows :

'12(c)(iv). A bank guarantee in the form approved by the Purchaser, by the contractor for the amount of the bill to safeguard the Purchaser against any loss. The bank guarantee shall be operative from the date of shipment to three months after the date of arrival of consignment at port in India.'

This clause is to safeguard that the actual despatches are according to the bill of landing till such time that the consignments are received and checked.

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*N vetted in Audit.

This supplier as well as others from USA and Canada has sought deletion of this provision. Even the Canadian International Development Agency Authorities had supported this. Taking all these into consideration, this particular clause was waived in the case of this order.

From records, it appears that no verification was sought to be made with regard to specific condition that the banking laws and regulations of USA do not permit their banks to furnish such a guarantee.

Apart from this clause, there is a general bank guarantee furnished by the suppliers in this and the other cases for proper performance of the contract as a whole which can be taken to cover this small area of requirement."

5.22. It is seen that payment was made in full against documents of shipment. Shipment was completed by August, 1972. On receipt of the plants at the places where these were to be installed, some damages were noticed. The P&T Department stated in January, 1975 that the parts, lost or damaged in transit, were being procured in the first instance by the Department itself and respective claims were lodged with the Life Insurance Corporation subsequently. The Committee desired to know the value of the parts lost in transit and the extent these were compensated by the Insurance Corporation. In a note*, the P&T Department have informed :

"The value of the parts damaged or lost in transit has been estimated to Rs. 69,277. Claims have been lodged with the Insurance Company and are being pursued."

5.23. Elucidating the position further, the Secretary, Ministry of Communications, has stated during evidence :

"The matter is in correspondence. We have made a claim of Rs. 49,000. Rs. 69,000 is the value of the unit but the damage is only Rs. 49,000 and that is what we can claim from the insurance company."

5.24. In a note* subsequently furnished by the Department on 22 June, 1977, it has been stated :

"The claim for Rs. 46,602.68 has been settled and claim for Rs. 5670 is under correspondence with L.I.C."

5.25. Asked as to how long this matter has been pending and whether the Department was satisfied with the position, the Secretary, Ministry of Communications, stated as follows :

"Two years. Two years is a long period but it does take that much of time."

*Not vetted in Audit.

5.26. The P&T Department *informed that the firm had given a bank guarantee of U.S. $ 38,187 as security deposit which is eual to 5% of the value of the order. The bank guarantee was valid upto October, 1976.

5.27. Questioned about the legal position of the bank guarantee after its expiry, the Secretary of the Ministry has stated :

> "We have not released the bank guarantee and we would not release it all."

5.28. The Committee further enquired that when the Government did not have direct knowledge of the efficiency, competence and reliability of the firm, why did they not fix a relatively higher percentage of security deposit. The Secretary, Ministry of Communications, stated as follows :

> "That was the percentage which we take and which we apply here. We did not think of a higher percentage in this case. We did not expect that these plants would not work."

Carrying out of initial repairs at site

5.29. Under the acceptance of tender the firm was responsible to remedy at its cost and "at site" in India, all defects arising from faults in materials, design or workmanship, as detected and notified upto twelve months after the plants were taken over. After commissioning, most of the plants went out of order or had a high incidence of failures of the components. According to the Audit Para the Director General, Posts and Telegraphs had informed the supplier in September 1972 that out of eight sets of plants energised, four had failed immediately and another two after working for a few days. In respect of the forty-nine plants commissioned upto June 1973, the Director General, Posts and Telegraphs sent in June 1973 to the firm fifty reports about failure of components which had occurred during the period of warranty and asked the firm to replace the faulty components. In December 1973, the P&T Department requested the Indian Embassy in U.S.A. to use its good offices to persuade the firm to honour its commitments. On being contacted by the Embassy, the firm asked the Department in January 1974 to return the defective components to it for evaluation of defects and assured despatch of replacements, after they were manufactured. The defective components valuing Rs. 3.21 lakhs were thus despatched by the Department between July 1974 and November 1974. In the meantime, in May 1974, the Director General, Posts and Telegraphs requested the firm to depute its engineers to India for assessing the problems stating that functioning of most of the plants, by and large, was "very unsatisfactory."

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*Not vetted in Audit.

5.30. The Committee enquired whether any reply was received to the suggestion made by the P&T Department to the firm for deputing its engineers for assessing the problem and if so the nature of the reply and the action taken thereon. In a note, the P&T Department have stated :

"Department in its letter of 1 May, 1974 had stated :

'Since functioning of the sets has been observed to be rather very unsatisfactory so far, we would suggest that one of your Engineers could come down to India and assess for himself the various problems that we are having in working these sets.'

The reply dated 8 May 1974 of the firm received by us reads as under :

'Upon review of the defective components, I will check with our engineering department and see if our Vice President and Technical Director can visit India and correct all problems.'

After review by the firm, a letter has been received asking for compliance of certain conditions before supply of replacements. This is under examination."

5.31. The Committee desired to know the arrangements made by the P&T Department with the suppliers for satisfactory installation, commissioning and running of these plants and training of the staff. In a *note, the P&T Department have intimated :

"The order for no-break power plant related only to the supply of the equipment. The contract included supply of adequate hand books and manuals to facilitate operation and maintenance of the equipment. The Department was to instal, commission and work the plants. As the operation of these plants was simple, no special effort in training the staff was undertaken. The contract included provision for free replacement of defective parts at site by the Contractor."

5.32. The Committee ascertained the value and the latest position about the defective spare parts sent by the Department to the firm. In a note, the P&T Department, have stated :

"The matter had been taken up by Secretary (c) with the Chairman of the Teledyne group of companies for resolving the problem. In response to this communication, a letter has been recently received specifying certain conditions to be complied with by the department. This is under examination.

The value of the defective parts sent to the firm is Rs. 3.2 lakhs."

*Not vetted in Audit.

5.33. In a note subsequently furnished by the P&T Department on 23 May, 1977, it has been stated* :

> "Recently a communication has been received from Teledyne from which it appears that they have interlinked the supplies of the replacement parts (in lieu of the defective spares) with the additional order for spare parts which has been placed to cover future requirements. Accordingly a clarificatory letter has been sent to the firm, requesting that the case for replacement parts is to be considered separately from the additional order and may be supplied immediately so that the balance power plants can be rectified quickly. This case is also being taken up at the higher level in the suppliers company."

5.34. The Committee enquired about the overall position regarding installation and performance of all the plants and whether the suppliers have carried out the repairs in the defective plants.

In a note*, the Posts and Telegraphs Department have stated :

> "Out of the 147 plants imported, 75 plants are working satisfactorily. 27 plants have been installed and tested. These had failed subsequently and replacement parts in lieu of the faulty ones are to be received from the supplier. The balance 45 plants have not been commissioned. Some components from these units have been utilised in repairing and working the 75 units. All the components that became faulty during initial testing and subsequent working have been sent to the supplier. The supplier has indicated that the engineering examination of these units is under way. The supplier has also indicated that after repairs the units will be sent back to us."

5.35. Explaining about the working of the plants, the Secretary, Ministry of Communications has stated during evidence :

> "This power plant is very good in design. We entrusted the matter to our research centre and they have found that there is one defect which is causing all this trouble, and that is that it has got a few resistances in the transformer which develop a lot of heat. After all, it is a power conversion plant. The location of these few items within the package is such that the heat generated affects other components nearby which are damaged by the excessive heat. So, we have modified these plants and transferred the location of these four or five items from inside to outside the package, and some of the 75 plants which are now working out of the total of 147 have been in operation since 1972 and later, and there have been of defects absolutely.

*Not vetted in Audit.

They are working very well. This is one simple thing which has caused the trouble. We want the component pars and once they come, we will be able to work all these 147 plants."

5.36. In a note*, subsequently furnished by the P&T Department on 23 May, 1977, it has been stated :

> "Out of the 147 power plants imported, 108 have been commissioned. 39 sets are yet to be commissioned. Out of the 108 commissioned sets, 84 are working satisfactorily and the remaining 24 have gone faulty."

5.37. The Committee desired to know the action taken by the Department against the firm in accordance with clause 18 (Appendix III) of the "Schedule to Acceptance of Tender" relating to "Warranty as to quality" for violating the terms of the Warranty like—

(i) Remedying of defects; and
(ii) Ensuring faultless materials, etc.

In a note, the P&T Department has intimated :—

> "No action has been taken as yet. As mentioned....., the reply by the firm is under examination. The security deposit of the firm in the form of a Bank Guarantee is still valid."

5.38. Asked to intimate the latest position the P&T Department in a note* subsequently furnished on 23 May 1977, have stated :—

> "No action has been taken as yet. Since 75 plants were taken over, it was agreed to reduce the bank guarantee amount proportionate to the value of the remaining 72 plants which have not been commissioned. This revised bank guarantee has been received and accepted. This is valid upto October, 1977 with provision for lodging the claims upto October, 1978."

Procurement of extra spare parts

5.39. While replacements of defective components were awaited from the supplier, the Posts & Telegraphs Department placed an order on the same firm for components worth Rs. 8.43 lakhs in March 1975, to keep the 71 plants, installed till September 1974 in working condition. The Committee desired to know whether these parts were meant for replacing the existing defective parts or were required for original use. They also enquired whether in view of the past experience with the firm, any additional undertaking was taken from them with regard to the satisfactory supply and working of these parts and whether these parts have since

*Not vetted in Audit.

been received and put to use. In a note, the Posts and Telegraphs Department have stated :

> "A separate order was placed on the firm after obtaining a quotation. The parts were ordered to cover the requirement of the parts damaged in transit and those required for maintenance. The order incorporated the usual terms and conditions regarding warranty and performance.
>
> One consignment of these parts of the value of nearly U.S. $ 10,850 has been recently received in India. These are yet to be put to use."

5.40. In a *note subsequently furnished by the P&T Department on 23 May, 1977, it has been stated :

> "In addition to the consignment of the value of $ 10,850, two more consignments for a value of $35,852 and $ 67,477 have also been received. These are under clearance in Bombay. Action has been taken for distribution of these parts for repairing and rectifying the defective units."

5.41. The placement by the Posts and Telegraphs Department of an order to the tune of 763 thousands U.S. Dollars (about Rs. 5,728 thousands) on M/s. Teledyne INET, a foreign firm for the supply of 147 "no-break power plants" and spares has revealed certain disconcerting features.

5.42. The no-break power plants are meant for providing uninterrupted power supply to the co-axial cable system in the event of power failure. In response to global tenders, floated by the P&T Department, 19 offers were received in June 1970. The lowest offer was from the aforesaid firm in the United States of America. Since the P&T Department did not have any experience or dealings with this firm, they wrote in June 1970 to the India Supply Mission, Washington to ascertain information about the standing, past performance and capacity of the firm. Without waiting for the requisite information called for from the India Supply Mission, an advance order was placed in August 1970 on the recommendations of the Tender Evaluation Committee which was set up to evaluate the offers. The Evaluation Committee do not appear to have been apprised specifically of the reference made to the Supply Mission, even though one of its Members himself had addressed the communication to I.S.M., Washington.

5.43. The Committee are not satisfied with the plea advanced by the Department that the supply order was placed consequent on receipt of detailed information from the firm itself inter alia **indicating that they had been the supplier to the American Defence establishments and other areas**

*Not vetted in Audit.

all over the world. It is evident that the Department relied on the information furnished by the foreign firm with which they had no prior dealings, without making independent enquiries on their own or through the India Supply Mission, Washington to check the veracity of this information. The Committee consider that the Department should have fully satisfied themselves about the capabilities, past performance and capacity of the foreign firm, more so when the supply order was of a very high value. That this was not done confirms misgivings in the mind of the Committee that the order was rushed through without obtaining detailed factual information about the capability, reliability and standing of the firm for undertaking the work order. The Committee deprecate lapse on the part of the Department.

5.44. According to a clause in the acceptance of the tender, the firm was required to furnish a bank guarantee for the amount of each of its bills to safeguard the Department against any loss from the date of shipment to three months after the receipt of the consignment at the ports in India. The Committee are perturbed to note that this basic and vital safeguard was deleted by the Department on being informed by the suppliers that the banking laws and regulations of their country did not permit their banks to furnish such a guarantee. That this deletion was done even without verification by the Department of the correctness of the aforesaid contention of the suppliers and also without making any alternative provisions for safeguarding the interests of the Government is baffling. The Committee would like to have a specific explanation from the Department for giving up the safeguard.

5.45. Under the acceptance of tender the firm was responsible to remedy at its cost and "at site" in India, all defects arising from faults in materials, design or workmanship, as detected and notified upto twelve months after the plants were taken over. The Committee are greatly concerned to note that on commissioning, most of the plants went out of order or had a high incidence of failure of the components. In June 1973, the Department sent as many as 50 reports to the firm about failure of components which occurred during the period of warranty, requesting the firm for replacement of the faulty components. As the firm was not responsive to attend to the faults, the Department requested the Indian Embassy in the U.S.A. to use its good offices to persuade the firm to honour its commitments. On being contacted by the Embassy, the firm had in January, 1974 asked the Department to return the defective components to it for evaluation of defects and assured despatch of replacements after they were manufactured. Defective components costing Rs. 321 thousands sent by the Department to the suppliers between July 1974 and November 1974 for repairs are yet to be returned and for such a situation the Department have themselves largely to blame.

5.46. In May, 1974, the Director General, Posts and Telegraphs had also requested the firm to depute its engineers to India for assessing the position about the very unsatisfactory performance of the plants. The Committee have been informed that the Department have received a communication from the firm on this suggestion as well as about the replacement of the defective components, specifying certain conditions to be complied with by the Department. The Department is stated to have received another communication from the firm, wherin the firm have inter-linked the supplies of the replacement parts with the additional order for spare parts to cover future requirements. The Department have written back to the firm suggesting that both these supplies have to be considered separately. The firm has also been requested to supply the replacement parts immediately so that the non-working power plants are rectified quickly. The Committee would like to be apprised of the progress made in the matter.

5.47. The Committee view with concern the lack of serious approach on the part of P&T Department even in the matter of prescribing security deposit which was fixed as only 5 per cent of the value of the order viz. US dollar 38,187 even when the Department had no direct knowledge of the competence and reliability of the firm. What is more surprising to the Committee is the fact that despite the continuing poor performance of the firm, the Department have subsequently agreed to reduce the bank guarantee amount to the value of the remaining 72 plants, yet to be commissioned then. The Committee also note that the revised bank guarantee is valid upto October, 1977 with provision for lodging the claims upto October, 1978.

5.48. According to the information furnished to the Committee on 23 May 1977, out of the 147 plants, 108 plants have so far been commissioned and 39 plants are yet to be commissioned. Out of the 108 commissioned plants, 84 plants are working satisfactorily and the remaining 24 plants have gone faulty. This reveals that due to the very poor performance of the firm, the very purpose of placing the order could be achieved only partially as the balance 39 plants could not be commissioned so far and some of their components have been utilised in repairing and working the plants, in operation. The Committee desire that all out efforts should be made to get the replacement components at the earliest so that the remaining 39 plants valued at about Rs. 17½ lakhs are commissioned without loss of further times.

5.49. The Committee have not been informed about the quantum of loss sustained as a result of the non-activiation or partial activisation of the no-break power plants. The Department should work out the figures of such losses and furnish the same to the Committee within six months.

5.50. The Committee also note that with a view to keep the commissioned plants in working condition, the Department have placed an order in March 1975 on the same firm for additional components for Rs. 8,43,000. Till May 1977, one consignment of thees components of the value of US $10,850 has been received and two more consignments valueing US $35,852 and 67,477 received in India, are under clearance in Bombay. The Committee would like to know the latest position about the receipt and utilisation of these components and the performance of those which have since been put to use.

5.51. The Committee would recommend that after the defective parts and components are received, the Department should proceed to take appropriate action against the firm for infringement of the terms of the contract. The Department should also fix responsibility on the officers concerned for failure to safeguard public interest while placing orders on this untried firm.

5.52. The Committee desire that the entire mechanism of purchases from foreign suppliers should be subjected to a critical study with a view to plug the loopholes and revamp the purchase procedures. The Committee would like to have a report on this in due course.

INSTALLATION OF A SAWING MACHINE

Audit Paragraph

6.1. In August 1972, the Director General, Supplies and Disposals placed an order on firm 'A' for supply of a high speed hydraulic cold sawing machine to a telecommunication factory at Jabalpur, at a cost of Rs. 1.26 lakhs (including cost of spares). The machine was needed in the factory for cutting thick mild steel rounds (240 millimetres), squares (203 millimetres), joists (210 millimetres), channels (100 millimetres) and angle iron (25 millimetres) required for the manufacture of microwave towers.

6.2. Before its despatch to the factory the machine was inspected in September 1972 by a representative of the Director General, Supplies and Disposals at the premises of firm 'A' in Calcutta. The machine was received at the factory in November 1972. According to the terms of the supply order, payment to the extent of 95 per cent of the cost of the machine and spares (Rs. 1.13 lakhs) was made to the supplier in March 1973 against proof of despatch, after inspection.

6.3 When the machine was received in November 1972, some parts were found damaged. The Department stated (January 1976) that "poor packing was the cause for such damages". The damaged parts were repaired by the factory and firm 'A' was asked (February 1973) to commission the machine. The machine was commissioned in May 1973. After working for only one and a half months, the machine developed defects, and 3 teeth of the saw blade were broken. The supplier's service engineer inspected the machine in July 1973 and reported that the hydraulic system was in perfect working order and that the teeth of the blade had been broken due to mishandling of the machine by an untrained operator. The Department stated (January 1976) that the machine was operated only by a trained operator and the teeth of the blade were broken because of an inherent defect in the design of the machine and its hydraulic feed control system.

6.4. The machine remained unused from July 1973 to September 1974. Two spare saw blades, which were to be supplied with the machine were received by the factory only in June 1974. As the spare blades were defective, these were rejected and returned to the supplier in March 1975. In May 1974 the Department purchased a saw blade from the market for Rs. 5,150 and fitted it to the machine, but the machine did not function satisfactorily with that blade.

6.5. The machine was repaired in September 1974 by firm 'A'. The machine worked for a few days (69 hours) in October 1974 and again went out of order in the same month. The Manager of the factory stated (October 1974) that it was giving jerks due to fault in its hydraulic system. The machine again remained unused from November 1974 to July 1975. The Department stated (January 1976) that firm 'A' "attended to the defects during the first week of August 1975, but the machine is working at lower speeds. Even in September 1975 good blades were not received from the firm which would have enabled trying out the machine for working at higher speed as incorporated in the specifications." The Department also stated (January 1976) that "the machine could not be put to proper use because of inherent design defects and poor response from the supplier in respect of service facilities. This matter had already been taken up with the DGS&D."

[Para 26 of the Report of the C&AG for the year 1974-75, Union Government (P&T)]

6.6. It has been pointed out in the Audit paragraph that when a high speed hydraulic cold sawing machine was received from M/s. Jessop & Company Limited, Calcutta in November 1972 in a telecommunication factory at Jabalpur, against an order placed in August by the Director General, Supplies & Disposals, some parts were found damaged. According to the Department of P&T poor packing was the cause for such damages. Asked to indicate the details of the parts found damaged and cost incurred in repairing them, the Ministry of Communications (P&T Board) have stated in a note as under :

"The following four parts were found to be damaged when the the sawing machine was received in Telecom. Factory, Jabalpur in November, 1972 :

(i) Safety Guard (Protection Guard).

(ii) Motor Belt Guard.

(iii) DOL Push Button Contact Starter.

(iv) Hydraulic Pipe Line (Twiested).

Of the above parts, the safety guard (Protection guard), motor belt guard and the hydraulic pipe line (twiested) were repaired by Telecom. Factory, Jabalpur at a cost of Rs. 90. This cost of repairs was intimated to the firm as well as to the Pay & Accounts Officer and the latter was asked to recover this sum. This has since been done.

The firm replaced the DOL Push Button contact starter in March, 1973."

6.7. The machine was commissioned in May 1973 and after working for only one and a half months the machine developed defects and three teeth of the saw blade were broken. According to the Department of P&T the blades were broken because of an inherent defect in the design of the machine and its hydraulic feed control system.

6.8. The Committee enquired from the Ministry whether the defects in the design and hydraulic feed control system of the machine were noticed when the machine was commissioned by the service engineer of the supplier M/s. Jessop & Company Ltd., Calcutta in May 1973. The Ministry of Communications, in a writent note, have stated :

> "The Telecom. Factory, Jabalpur, did not notice any difficulty when the machine was commissioned by the service engineer of the supplying firm in May 1973. The machine worked satisfactorily from May 1973 to the second week of June 1973 but the hydraulic feed system started giving trouble which resulted in the faulty movement of the carriage. Hence, the firm was requested by a letter dated 25-6-1973 to depute their representative to rectify the hydraulic feed system."

6.9. The Ministry have further stated that though the machine remained utilised from July 1973 to September 1974 the production of microwave towers did not suffer as the cutting of angles was done by alternative means, *viz.*, gas cutting. The gas cutting process is a slow process and the edges are not true after the cutting and requires another operation. Under the circumstances the purchase of a sawing machine was mooted.

6.10. As regards the steps taken to recommission the machine, the Ministry have stated in a written note :

> "The firm did not supply spare blades along with the original equipment. The firm also could not demonstrate proper functioning due to want of blades in July, 1973. The Manager, Telecom. Factory, Jabalpur, tried to purchase the blades from other sources and was able to procure in May, 1974. After procuring the blade, the Manager, Telecom. Factory, Jabalpur was pursuing with the firm for rectifying the defects and had issued reminders to the firm on 29-5-1974, 25-7-1974, 1-8-1974 and 23-8-1974. The representative of the firm came on 8-9-1974 but he could not commission the machine at that time. Thus, it is seen that the Manager Telecom. Factory, Jabalpur tried not only to procure the spare blades from other sources but also pursued the matter with the firm after the procurement of spare blades for commissioning the machine."

6.11. According to the Audit Para, the two spare saw blades, which were to be supplied with the machine were received by the factory only in June, 1974. As the spare blades were defective, these were rejected and returned to the supplier in March, 1975. The Committee wanted to know whether the position about the receipt of the spare blades was not checked up when the machine was received in November 1972 and the steps taken since then to obtain these blades. The Ministry of Communications, in a written note furnished to the Committee have stated :

> "Even at the time of receipt of machine in November 1972 the Telecom. Factory found that two spare blades which were to be supplied as part of the original equipment had not been received and the firm was intimated about its non-receipt by the Manager in a letter dated 23-11-1972."

6.12. As regards some other parts required to be received along with the machine which were also not received at that time, the Ministry have further clarified the position as under :

> "Apart from these blades, the ball bearing for the motors were also not supplied. Further, literature such as part lists, repair manual, operator's instruction books which were also to be supplied in advance of the actual supply of the machine, were not received, and as such, the firm was asked in the letter of November 1972 to arrange the supply of these. The supply of these was pursued with the Firm. The ball bearing was supplied in August, 1973 while spare blades were supplied only in June, 1974. However, the spare blades could not be tested because the machine was not in proper working condition. The firm advised the Telecom. Factory, Jabalpur to return the blades in December 1974. As regards inspection manual, maintenance material etc. the firm intimated in March 1976 that the Operator's Inspection Manual supplied to the Factory earlier in December 1972 is a composite manual for the operation maintenance and essential repair of the machine."

6.13. Asked to state the reasons for returning the defective blades in March 1975 when these were received in June 1974, the Ministry of Communications have stated in a written note :

> "At the time of receipt of the blades in June 1974, the machine was not in proper working condition. The Firm's representative came in September 1974 and attempted to repair the machine but the machine could not be repaired satisfactorily by the representative even then. The defects in system continued which the representative of the firm could not set right

in September 1974. As such, the saw blades supplied by the firm were found to be defective and rejected by the Telecom. Factory, Jabalpur in November, 1974. The firm advised the Telecom. Factory, Jabalpur to return the stores in December, 1974. Due to restrictions in goods train booking, the stores could be sent only in March 1975, by passenger train."

6.14. As stated in the Audit Para, the machine which was repaired in September 1974 by the firm, worked for a few days (69 hours) in October 1974 and again went out of order in the same month. The Manager of the factory stated (October 1974) that it was giving jerks due to fault in its hydraulic system. The machine again remained unused from November 1974 to July 1975. Asked whether the machine was thoroughly checked when it was repaired by the firm in September 1974 the Ministry of Communications have stated :

"The machine was checked thoroughly for performance when the representative of the firm attempted to rectify the defects in September, 1974 but the machine was not in perfect condition. Defects leading to jerks on the blades were continuing and the saw blades supplied by the firm were also found to be defective and had to be rejected by the Telecom Factory, Jabalpur. This was in November, 1974. The representative of the firm again reported to the Telecom. Factory, Jabalpur on 1-8-1975 and attended to the defects till 7-8-1975. The machine could be set right only partly. The representative of the firm again reported on 11-9-1975 and attended the machine till 13-9-1975. At this time the representative brought the blade along with him and was able to demostrate the working of the machine at all speeds. The machine since then is working satisfactorily at all speeds."

6.15. The Department of P&T have, however, informed the Audit in January 1976 that the machine could not be put to proper use because of inherent design defects and poor response from the supplier in respect of service facilities and the matter had already been taken up with the Director General, Supplies and Disposals. When enquired about the measures taken by the Director General, Supplies and Disposals to ensure timely repairs and satisfactory working of the machines, the Ministry have stated :

"The DGS&D indicates that as and when the defects/damages were brought to their notice, the matter was taken up with the firm and they were pressurised to rectify the same, which has ultimately been done."

6.16. The Committee desired to know the safeguard incorporated in the supply order for ensuring satisfactory working of the machine. The Ministry have stated as under :

> "To ensure satisfactory working of the machine, a warranty/guarantee clause is always incorporated in the contract for plant and machinery and similarly, in this case also a warranty clause was incorporated, which was valid for a period of 15 months from the date of despatch or 12 months from the date of putting in service at consignee's end. As a result of this warranty clause and other expeditors, it was possible to prevail upon the firm to get the machine rectified to the satisfaction of Telecom. Factory, Jabalpur."

6.17. The Committee note that in August 1972 an order was placed by the Director Geenral Supplies and Disposals on M/s. Jessop & Company Limited, Calcutta for the supply of a high speed hydraulic cold sawing machine at a cost of Rs. 1.26 lakhs in connection with the production of microwave towers. The machine was received in November 1972 in the telecommunication factory at Jabalpur with some damaged parts. After repair to the damaged parts, the machine was commissioned in May 1973. Though, according to the terms of the supply order, payment to the extent of 95% of the cost of machine and spares (Rs. 1.13 lakhs) was made to the suppliers in March 1973 against proof of despatch after inspection in September 1972, the machine due to one defect or the other could not be put to proper use till September 1975 except that it worked for a period of about 1½ months in May and June 1973 and for a short spell of 69 hours in October 1974. What has distressed the Committee is the fact that payment was made to the firm without even putting the machine to trial for a reasonable period, particularly when it had been received with damaged parts. The machine, even after final repairs in September 1975, had to work at lower speeds as good blades had not been supplied by the firm, which, as Audit have pointed out, "would have enabled trying out the machine for working at higher speed as incorporated in the specification". The Committee would like to know whether the good quality blades have since been received fro the firm.

6.18. The Committee are perturbed to note that only after 1½ months of the commissioning of the machine in May 1973 three teeth of the saw blades were broken and the hydraulic feed system started giving trouble which resulted in the faulty movement of the carriage. If the assertion of the Department of Posts and Telegraphs, that the blades were broken because of an inherent defect in the design of the machine and its hydraulic feed system, is accepted then the basic question arises why the representative of Director General, Supplies and Disposals who had inspected the machine in September 1972 before its despatch, could not locate these defects.

6.19. It appears to the Committee that the machine remained practically unused from July 1973 to August 1975 except for a few days (69 hours) in October 1974. In a written note furnished to the Committee, the Ministry stated that the firm could not demonstrate proper functioning of the machine due to want of blades during July, 1973 and the Manager, Telecom Factory, Jabalpur, tried to purchase the blades from other sources and was able to procure it in May, 1974. The fact, however, remains that the machine was not re-commissioned for a considerable length of time. The plea of the Ministry of Communications that the production of microwave towers did not suffer as the cutting of angles was done by alternative means, viz., gas cutting, does not sound convincing. The fact cannot be gainsaid that the gas cutting process is not only a slow process but also needs another operation for shaping the edges true.

6.20. The Committee find that though a warranty clause was incorporated in the contract for the machinery and was valid for a period of 15 months from the date of putting in service at consignees end, the DGS&D failed in its efforts to prevail upon the firm to get the machine properly rectified within the warranty period. The result was that not only the machine remained out of order for long intervals but an additional expenditure of Rs. 5,150 had to be incurred for purchase of the required components from the market. The Committee would like to know the basis on which the order was placed on the firm by the DGS&D and especially whether the antecedents and the performance of this firm in the matter of supplying sophisticated instruments for the telecommunication factory were at all investigated. The Committee would like the DGS&D to take a particular note of the poor service facilities offered by this firm before any contractual obligations are entered upon with them.

6.21. At the same time the Committee would also like to emphasise that suitable steps should be taken by the P&T Dtpartment to ensure that adequate and proper steps are taken for supervision over the working and up keep of costly machines and that only trained and dependable staff are allowed to handle them.

NEW DELHI;
December 16, 1977
Agrahayana 25, 1899(*S*)

C. M. STEPHEN,
Chairman,
Public Accounts Committee.

APPENDIX I

(*Vide* paragraph 1.10 of the Report)

Copy of a General Circular letter No. 2-38/75-TR dated 15th January 1976 from D.G.P&T. (TR. Sec.) to All Heads of Telecom* and Telephone Districts.

SUB. :—*Deposit in advance from Government subscribers.*

The question of obtaining deposit in advance from Government subscribers before the service is provided has been under consideration for some time and the Posts and Telegraphs Board is pleased to decide as follows :

(a) *Government Subscribers other than Defence Organisation.*

The Government subscribers will be treated on par with private subscribers in the matter of payment of initial charges in respect of telephone, telex and circuit connections and as prescribed in Rule 29 of P&T Manual Volume XII, no Advice Note is to be issued without verifying that Demand Note has been paid and the money credited to Government. Discretion to grant exemption in this respect will be exercised only at the level of Deputy Director-General in the P&T Directorate. Heads of Circles should not have any discretion in the matter.

(b) *Defence Organisations.*

(i) *Telephone connections* :—On a requisition for provisions of telephone connections in the Defence Organisations, the service should be provided and the Demand Note in regard to the OYT and the initial charges should be issued with a clear stipulation for payment within a period of one month from the date of issue of Demand Note. If payment is not made within this period, the telephone should be disconnected.

(ii) *Circuits.* Estimates for the work should be prepared as soon as a firm requisition is received and a provisional demand made within a period of one month. If no payment is made within this time limit, the work should be stopped and the circuits should not be provided till the payment is made. If the Head of the Circle is approached for extension of this period of one month, he may grant suitable extensions. Suitable instructions should be issued to all concerned.

APPENDIX II

(*Vide* paragraph 1.48 of the Report)

INDIAN POSTS AND TELEGRAPHS DEPARTMENT

OFFICE OF THE DIRECTOR GENERAL POSTS AND TELEGRAPHS

No. 23-6/75-TR.

Dated New Delhi, the 16th October, 1976

To

All Heads of Telecom. Circles/Telephone Districts.

SUB :—*Rental for Cables Provided for Exclusive Use of Government Department or a Private Party.*

Cases have come to the notice of this office where rentals for cables provided to the Defence Department have not been recovered as 18% of the Capital Cost as prescribed under this office letter No. 3-18/66-TR dated 6. 1. 1967 resulting in Short Recoveries.

With a view to ensuring that such irregularities are scrupulously guarded against, suitable instructions may be issued to all concerned for preparation of such bills at prescribed rates. The need for prompt and proper check of rental fixed in such cases should also be emphasised. Review of all such facilities so far provided should also be conducted to detect omissions, if any, and to rectify them.

APPENDIX III

(*Vide* Para 5.37)

Clause 18 *of the Acceptance of Tender*

WARRANTY AS TO QUALITY

18.1 The contractor shall warrant that all equipment to be supplied shall be new and free from all defects and faults in material, workmanship and manufacturer and shall be of the highest grade and consistent with the established and generally accepted standards for materials of the type ordered, and in full conformity with the specifications and drawings. The Contractor shall be responsible for any defects that may develop under the conditions provided by the contract and under proper use, arising from faulty materials, design or workmanship in the equipment and not otherwise and shall remedy such defect at his own cost when called upon to do so by the purchaser, who shall state in writing in what respect the portion is faulty. This warranty shall survive inspection or, payment for, and acceptance of the goods, but shall expire (except in respect of complaints notified prior to such date) twelve months after the equipment has been taken over under clause 17.

18.2 If it becomes necessary for the contractor to replace or renew any defective portion/portions of the equipment under this clause, the provision of the clause shall apply to the portion/portions of the equipment so replaced or renewed until the expiration of six months from the date of replacement or renewal or until the end of the above mentioned period of twelve months, whichever, may be later. If any defects, be not remedied within a reasonable time, the purchaser may proceed to do the work at the Contractor's risk and expense, but without prejudice to any other rights which the purchaser may have against the contractor in respect of such defects.

18.3 Replacements under warranty clause shall be made by the Contractor free of all charges at site including freight, insurance, customs and other incidental charges.

18.4 The warrantees contained in these conditions assume that the equipment furnished under this contract if not installed by the Contractor or under the supervision of the Contractor's Engineer, is properly installed and that such equipment is properly used and maintained.

APPENDIX IV

CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Ministry/Department concerned	Conclusions/Recommendations
1	2	3	4
1	1.4	Ministry of Communications (P&T Department)	The Committee are surprised that the Ministry in their communication, instead of replying to the points raised by the Committee, have stated that the Bill for Rs. 7,72,936 is not recoverable from the Army Authorities inasmuch as the cable was not laid for exclusive use of the Army. The Committee regret this laconic reply of the Ministry and they fail to understand why the correct position was not explained to the Audit in proper time. The Committee cannot too strongly emphasise the need for prompt examination of the Audit objections. In the present case, the Committee note that rent for underground cable laid from Railway Station to Carrier Station is chargeable from Army Authorities. The amount in question and the present position of the recovery of the same from the Army Authorities has not been intimated. The Committee would like to be informed about the reasons for the abnormal delay for the realisation of the rental in question, and the present position of recovery.
2	1.15	—do—	The facts of the case, as disclosed in the Audit Paragraph, are very disquieting. First there was an abnormal delay of almost 8 years in sending rent bills to the Defence Department for the supply of two pairs of copperweld wires in July 1966. When the rent bills aggregating Rs. 2.09 lakhs were

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			sent to the Defence Department in April 1974, a sum of Rs. 0.27 lakhs only was paid by that Department till December 1975. It is surprising that the P&T Department acquiesced with the caveat furnished by the Defence Department that the claim for Rs. 0.50 lakh as rent for July 1966 to November 1967 was time-barred. The Defence Department had accepted the liability of paying only Rs. 1.32 lakhs which was eventually paid on 29 December 1975.
3	1.16	Ministry of Communications (P&T Department)	The Committee are surprised that the P&T Department did not consider it necessary to obtain any deposit in advance from Government subscribers before providing any services to them. Obviously, after the receipt of the Audit paragraph, they appear to have realised the necessity of prescribing security deposits from Government subscribers, including Defence organisations, also and orders to that effect were issued only on 15 January 1976. These orders, however, make no mention about the circumstances under which a bill can become time-barred.
4	1.17	—do—	The Committee deplore the inordinate delay in issuing bills to the Defence Department and also the tardy realisations against their demands. They would like that the outstanding bills should be settled without any further delay.
5	1.21	—do—	The Committee are surprised that a bill for Rs. 1.38 lakhs being the difference in rent realised and rent actually due for November 1967 to March 1974 which was issued to the Defence Department in April 1974 for a cable laid at Jammu had not been paid till January 1976. The Committee deplore the long delay of seven years in the realisation of the amount.

6	1.27	—do—	1.27. The Committee are unhappy that there has been inordinate delay in raising the debits against the Defence Department by the Telephone Districts at Jaipur, Madras and Bombay for the supply of 100 teleprinter machines, 30 auto-transmitters and 18 reperforating attachments during December 1971 and February 1972. Although the P & T Department has pursued the case regularly with the Army authorities for accepting their rates, the case is yet to be settled. The Committee note that the machines were supplied under unusual circumstances to meet urgent defence requirements. There is, however, no justification whatsoever for non-payment or delayed payment of the costs. The Committee desire that the P & T Department should settle the matter with the Defence Department and expedite the finalisation of the case. Guidelines may also be laid down for the supply of machines and accessories to the user departments during Emergency and in normal time and the institutional procedure should be such as to make for timely recoveries.
7	1.35	—do—	The Committee deplore the inordinate delay in settling the bill for rental in respect of underground cables supplied to the Defence Department by the P & T authorities. From the facts of the case, the Committee learn that the initial claim for Rs. 4.20 lakhs was issued on 21 June 1972. A supplementary bill was issued in May 1974 to cover the difference between the rent already claimed and the rent actually due up to March 1974. The Defence Department having disputed the basis of calculation, the matter remained under investigation till 15 December 1975 when the point of view of the Defence Department was upheld. The bill for a reduced amount, *viz.* Rs. 8.70 lakhs instead of Rs. 16.45 lakhs originally claimed was paid on 28 August 1976. The Committee would like the responsibility for the delay in settling the Bill to be fixed. The rationale

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			for the reduction of the rental may also be explained to the Committee. As instances regarding incorrect billing are on the increase, the Committee would like that comprehensive instructions are issued to all Telephone Divisions as to the procedure for checking and preparing bills so that instances of the type mentioned in the Audit para do not recur.
8	1.43	Ministry of Communications (P&T Department)	The Committee regret to observe that cases of short billing continue to occur despite instructions laid down in this regard. They also note that one case regarding Ludhiana Division and five cases regarding Jamnagar Division have yet to be settled. The Committee would like that recovery of bills in respect of these cases should be effected at an early date. The Committee would also like to be informed about the reasons for short billing in these cases.
9	1.44	—do—	The Committee would like to be apprised in due course about the results of the checks conducted by the internal check parties in regard to the billing in other units.
10	1.50	—do—	The Committee note that the P & T Department have effected recovery of the short charges for the period from 20 September 1971 to 31 March 1976 which were due from the Air Force authorities. They also note that instructions have been issued to all Heads of Telecommunication Circles/Telephone Districts with a view to ensure that such irregularities are scrupulously guarded against and that a review should be made of all the facilities provided so far to detect omissions and to rectify them. The Committee, however, would like to know the results of investigations for short recoveries in this particular case.

11	1.55	—do—	The Committee regret to note that although the claim for compensation for premature surrender of the facility together with the rental charges amounting to Rs. 1,95,911/- was preferred on 13 April 1971, it remained unrealised until 27 August 1976. The Committee fail to understand why when the claim was actually preferred by the Divisional Engineer Telephones, Gauhati upon the Assam Government on 13 April 1971, duplicates of the same were sent to the Government of Assam after 3 years *i.e.* on 25 April 1974. This gives rise to doubts in the mind of the Committee that either the claim preferred on 13 April 1971 had not been taken note of by the State Government or the bills had not actually been despatched at all. The whole matter needs to be thoroughly investigated. The Committee desire that departmental instructions may be issued to all Heads of Telephone Districts, impressing upon them the need to finalise such matters by taking initiative as necessary at higher levels and not remain content with mere routine correspondence.
12	1.61	—do—	The Committee regret that there has been a failure on the part of the P&T Department to prefer a claim in time of Rs. 25,000/- being the compensation for cancellation of a project for opening a public call office at Tikarapara Dam Site which was sanctioned in March 1964 after the Government of Orissa guaranteed a revenue of Rs. 13,100 per annum therefrom. Under the departmental regulations, compensation has to be claimed within three months of the cancellation of the facilities. The P&T Department preferred the claim in October 1975, *i.e.* after a lapse of six years. The Ministry have conceded that "the bills were not issued in time due to oversight on the part of the Divisional Office". The Committee

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			would like that individual responsibility for the lapse should be fixed and suitable action taken.
13	1.62	Ministry of Communication (P&T Department)	The Committee note that a register has since been introduced to keep a watch over the progress of work from the date the firm demand is received till the date the bills are issued and instructions to this effect have been issued to all Heads of Circles/Telephone Districts. The Committee would like the Department to keep a watch that the instructions are in fact scrupulously observed to obviate recurrence of such instances.
14	1.63	—do—	The Committee note that the bill for Rs. 25,000/- has still to be settled with the State Government concerned. The Committee would like that this matter should be settled without any further delay.
15	1.64	—do—	From the foregoing paragraphs, the Committee have come to the inescapable conclusion that the mechanism available with the P&T Department for the realisation of the departmental dues has been ineffective and inadequate. Non-recovery or delayed recovery of rentals has become a regular feature in that Department, as is evident from the instances cited by the Committee in their previous reports. Instructions issued by the Department from time to time have been observed more in the breach than in the observance. The Committee in their 145th Report (Fifth Lok Sabha) have regretted the absence of a foolproof system for keeping a watch over the recovery of rent and compensation. They had desired a detailed note from the Ministry about the impact of the measures which the Department had promised to adopt for avoiding delays in rent recoveries. From the reply of the Government to this recommendation, contained in their

			189th Report (Fifth Lok Sabha), the Committee note that "The system of checks has also been strengthened with effect from August 1974". The Committee have further been informed by the Ministry in a written note dated 15 March 1977 that the Internal Check Organisation has since been extended to all the Telecommunication Circles and Telephone Districts. Internal check has also been extended to cover the P&T Dispensaries. As a result of the inspections conducted by the Internal Check Organisation, the P&T Department have detected cases of short billing (Rs. 14.52 lakhs), short recoveries (Rs. 2.31 lakhs), non-billing (Rs. 11.08 lakhs). A case of excess payment to the extent of Rs. 17.26 lakhs to Overseas Communications Service in Settlement Account was also detected during the year 1975-76.
16	1.65	—do—	While the Committee appreciate the steps taken by the Internal Check Organisation to detect cases of short billing, non-billing, etc., they would like that a vigilant watch should be exercised and all cases of lapses should be fully investigated so as to fix and enforce responsibility and accountability to safeguard public revenue.
17	2.14	—do—	The Committee note that in case of a demand for any service for which annual rent is chargeable at a fixed percentage of capital cost of work, an estimate for the work is prepared by the Department of P&T taking into account ground cost of equipment, stores and of foreseeable expenses and the annual rent is calculated at a prescribed percentage of 115% of the estimated cost. Based on this formula the annual rent of a 1000-line private automatic exchange to be installed at an estimated cost of Rs. 3.70 lakhs in the Tajmahal Hotel, Bombay was fixed at Rs. 0.81 lakhs.

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18	2.15	Ministry of Communication (P&T Department)	The Committee are surprised that though on commissioning of the exchange in January 1972 the actual expenditure booked upto March 1972 in the accounts against this work was already 89% high (Rs. 7.01 lakhs) no action was taken to revise the rent and intimate the same to the Hotel. It was only in June 1973 that the Hotel was informed that the revised rent on the basis of cost of work was Rs. 2.10 lakhs per annum. The plea of the Ministry for not intimating the revised rent to the Hotel in March 1972 to the effect that some more expenditure on account of cost of cables and escalation charges on Indian Telephone Industry's material used was anticipated, is somewhat strange as this expenditure was foreseeable and could have been easily taken into account at that time. The Hotel should have at least been intimated of the impending revision of the rent and given a fair idea of it.
19	2.16	—do—	Further according to the departmental procedure, once the rental quoted has been duly accepted by the applicant such rental should be treated as final unless preparation of revised estimate is found necessary when actual expenditure exceeds by more than 10% of the estimated cost, in which case the final rental shall be based on the revised estimate plus 15% thereof. In the present case though the expenditure had exceeded the estimated cost by more than 10% in January 1972 no revision of the estimate was undertaken. This is more reprehensible. The Committee are perturbed to learn from the Ministry that the reasons for this are still being investigated although the exchange was commissioned as far back as in 1972. The Committee would like that the investigation should be concluded without further delay and responsibility for the lapse fixed.

20	2.17	—do—	While calculating the annual rent, the percentage towards annual recurring expenditure applicable to a manual exchange, *viz.* 29% was adopted instead of 19% as would be applicable for an automatic exchange. This resulted in an error of an additional Rs. 52,000/- in the annual rent for the automatic exchange in the Hotel. The Committee find that this error escaped the notice of the Accounts Branch despite their verification of the calculations. Moreover, the high rental of Rs. 2.10 lakhs was also due to the fact that this had been calculated on the actual expenditure and not on the revised estimate. In such case, the addition of 15% was not necessary. The Committee would like the Department of P&T to evolve some inbuilt mechanism to ensure that mistakes of this nature do not recur.
21	2.18	—do—	The Committee note that there has been inordinate delay in effecting the recovery of the rent in installation of the exchange due to the under-estimation of the annual rent and subsequently due to faulty calculations of the rental charges. It is regrettable that the bill for arrears of rental to the extent of Rs. 2,43,691 covering the period from 23 January 1972 to 31 May 1977 was issued by the Department of P&T as late as 16 December 1976 which was paid by the party on 13 April, 1977.
22	3.15	—do—	The Committee note that the trunk call rates of 60 paise in respect of radial distances exceeding 20 Kilometers and 30 paise for radial distance upto 20 Kilometres, then prevailing in the country, were not extended and made applicable to the five telephone exchanges in Goa after they were taken over by the Posts & Telegraphs Department in December, 1961, on liberation of Goa. Insetad, it was decided in February, 1962 to retain the old flat rate of 50 paise for a trunk call of 3 minutes duration between all

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			the exchanges in Goa as were being charged by the Portuguese administration before liberation. This uniform rate continued to be charged even after 12 more exchanges were opened in Goa upto March, 1974. At the time of taking a decision, the period upto which the flat rate was to remain in force in Goa was not specified. According to the Ministry of Communications, the flat rate was retained in Goa as no loss was expected to the Department : but on the other hand it had the advantage of simplification in the matter of pricing and of accounting procedures, besides maintaining the prevalent conditions undisturbed in Goa.
23	3.16	Ministry of Communications (P&T Department)	The Committee see no reason why the financial implications of the retention of flat rate in Goa telephone exchanges were not worked out when based on detailed calculations, the trunk tariffs were revised for the rest of the country in October, 1962, January, 1966 and May, 1974. Though there was an additional revenue of Rs. 1.58 lakhs up to 15 January 1966 on account of the retention of the flat rate of 50 paise, the Posts and Telegraphs Department had to undergo a loss of Rs. 3.32 lakhs during the period between 16 January 1966 and April, 1974 owing to the non-introduction of All-India Trunk Call rates in Goa. The Committee would like the Department to take suitable measures to obviate recurrence of such instances.
24		4.17 —do—	The Committee note that a project estimate for Rs. 1.50 lakhs was sanctioned by the Director General, Posts and Telegraphs in December, 1962 for installation of the 8-channel carrier system between Kota and

			Agra to meet the increasing demand of trunk traffic from the fast developing industrial town of Kota. Installation of the equipment, already received in March, 1964, was held up for want of accommodation at Hindaun for repeater station and due to delay in re-transposition of wires between Kota and Agra. The re-transposition work, though planned in 1960 could not be commenced till November 1966 due to the fact that it took five to six years in receiving the line-stores. The Ministry have submitted that as a result of the decision taken in 1958 to re-transpose a number of non-C-8 lines in the country to render them suitable for 8-channel carrier working, the limited quantity of stores available at that time fell short of the largescale requirements for meeting the needs all over the country.
25	4.18	—do—	The Committee are distressed to note that though the work of re-transposition of wires was commenced in November 1966, there is no record available in the Ministry of Communications to indicate as to whether or not the probable commencement and completion dates of the re-transposition work in the Agra-Kota section were considered before the carrier equipment, received in March 1964, was transferred in March 1966 to be utilised for installation of 8-channel system between Jabalpur and Bhopal. The re-transposition work of wires was completed in December 1967 and tested after 8 months in August 1968. Although it had already been decided in September 1967 to divert the equipment for the 8-channel carrier system for Jaipur-Jodhpur route to Kota-Agra route, it was only in January 1969 that the equipment for the Kota-Agra route was received. The Committee feel that had timely action been taken to transfer the equipment in 1967 as scheduled, the 8-channel carrier system for Kota-Agra route would have been commissioned in early 1968. The Committee are

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			led to the inescapable conclusion that the delay in commissioning the system was as much due to procedural defects as the failure on the part of those responsible for its execution. The Committee would like that conclusive and effective steps are taken to see that such delays do not recur.
26	4.19	Ministry of Communications (P&T Department)	The Committee note that the 8-channel carrier system for Kota-Agra route, commissioned in February 1969, was handicapped due to the frequent thefts of copper wires from Hindaun-Agra section and as the gaps caused were restored by using iron wires due to non-availability of copper wires, the route became unsuitable for standard performance of the 8-channel carrier system. The Committee further note that despite several measures taken by the Department of Posts and Telegraphs to combat the menace of thefts, it continued unabated and as a result thereof the 8-channel carrier system between Kota and Agra was closed in December 1970, the carrier equipment being dismantled and transferred in September 1971 for Bhatinda-Abohar route. What has caused concern to the Committee is the fact that the menace of thefts of telecommunication wires has spread all over the country; it needs to be tackled effectively. The Committee have dealt with this aspect at length in their 122nd Report (Fifth Lok Sabha—April 1974).
27	4.20	—do—	It was pointed out to the Committee that it was not desirable to have mixed gauges of wires, *viz.* Copper and ACSR in a full repeater section as between Agra and Kota and it was necessary that the entire pair should have been of copper or be replaced by ACSR completely. With a view to remedying the problems of thefts of wires the copper wires between Kota-Agra route were replaced by aluminium between June 1972 and October 1973 at a cost of Rs. 12.28 lakhs. The Committee are,

			however, unable to understand why the aluminium wires were not tried before closing the 8-channel carrier system of Kota-Agra route in December 1970, particularly when the whole question of using the ACSR wires was already under consideration at that time. The Committee are further distressed to note that though another set of carrier equipment was received by diversion from other works and installed in December 1972, it could be commissioned only in September 1974.
28	4.21	—do—	The Committee note that in 1962 a 3-channel carrier system was functioning between Kota and Agra and on an average out of 80 trunk calls booked daily between Kota and Agra about 34 (43%) used to be ineffective. It is a matter of regret that even after commissioning the 8-channel carrier system in 1974 after a lag of 11 years, the percentage of effective calls between Kota and Agra has been far from satisfactory. From the random surveys carried out it is gathered that 84% of the calls booked on 9 October 1974 and 100% calls booked on 2 April 1975 could not be connected due to departmental reasons alone. It appears to the Committee that the whole project was conceived and executed in a lackadaisical manner. The Committee would like that a thorough investigation should be conducted with a view to identify the reasons for the short-comings and to take concerted measures to remedy them. The Committee would like to be apprised of the action taken and the results achieved in this regard.
29	5.41	—do—	The placement by the Posts and Telegraphs Department of an order to the tune of 763 thousands U.S. Dollars (about Rs. 5,728 thousands) on M/s. Teledyne INET, a foreign firm for the supply of 147 'no-break power plants' and spares has revealed certain disconcerting features.

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30	5.42	Ministry of Communication (P&T Department)	The no-break power plants are meant for providing uninterrupted power supply to the co-axial cable system in the event of power failure. In response to global tenders, floated by the P&T Department, 19 offers were received in June 1970. The lowest offer was from the aforesaid firm in the United States of America. Since the P&T Department did not have any experience or dealings with this firm, they wrote in June 1970 to the India Supply Mission, Washington to ascertain information about the standing, past performance and capacity of the firm. Without waiting for the requisite information called for from the India Supply Mission, an advance order was placed in August 1970 on the recommendations of the Tender Evaluation Committee which was set up to evaluate the offers. The Evaluation Committee do not appear to have been apprised specifically of the reference made to the Supply Mission, even though one of its Members himself had addressed the communication to I.S.M., Washington.
31	5.43	—do—	The Committee are not satisfied with the plea advanced by the Department that the supply order was placed consequent on receipt of detailed information from the firm itself *inter alia* indicating that they had been the supplier to the American Defence establishments and other areas all over the world. It is evident that the Department relied on the information furnished by the foreign firm with which they had no prior dealings, without making independent enquiries on their own or through the India Supply Mission, Washington to check the veracity of this information. The Committee consider that the Department should have fully satisfied themselves about the capabilities, past performance and capacity of the foreign firm, more so when the supply order was of a very high value.

That this was not done confirms misgivings in the mind of the Committee that the order was rushed through without obtaining detailed factual information about the capability, reliability and standing of the firm for undertaking the work order. The Committee deprecate this lapse on the part of the Department.

32	5.44	—do—	According to a clause in the acceptance of the tender, the firm was required to furnish a bank guarantee for the amount of each of its bills to safeguard the Department against any loss from the date of shipment to three months after the receipt of the consignment at the ports in India. The Committee are perturbed to note that this basic and vital safeguard was deleted by the Department on being informed by the suppliers that the banking laws and regulations of their country did not permit their banks to furnish such a guarantee. That this deletion was done even without verification by the Department of the correctness of the aforesaid contention of the suppliers and also without making any alternative provisions for safeguarding the interests of the Government is baffling. The Committee would like to have a specific explanation from the Department for giving up the safeguard.
33	5.45	—do—	Under the acceptance of tender the firm was responsible to remedy at its cost and "at site" in India, all defects arising from faults in materials, design or workmanship, as detected and notified upto twelve months after the plants were taken over. The Committee are greatly concerned to note that on commissioning, most of the plants went out of order or had a high incidence of failure of the components. In June 1973, the Department sent as many as 50 reports to the firm about failure of components which had occurred during the period of warranty, requesting the firm for replacement of the faulty components. As the firm was not responsive to attend

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			to the faults, the Department requested the Indian Embassy in the U.S.A. to use its good offices to persuade the firm to honour its commitments. On being contacted by the Embassy, the firm had in January, 1974 asked the Department to return the defective components to it for evaluation of defects and assured despatch of replacements after they were manufactured. Defective components costing Rs. 321 thousands sent by the Department to the suppliers between July 1974 and November 1974 for repairs are yet to be returned and for such a situation the Department have themselves largely to blame.
34	5.46	Ministry of Communications (P & T Department)	In May, 1974, the Director General, Posts and Telegraphs had also requested the firm to depute its engineers to India for assessing the position about the very unsatisfactory performance of the plants. The Committee have been informed that the Department have received a communication from the firm on this suggestion as well as about the replacement of the defective components, specifying certain conditions to be complied with by the Department. The Department is stated to have received another communication from the firm, wherein the firm have inter-linked the supplies of the replacement parts with the additional order for spare parts to cover future requirements. The Department have written back to the firm suggesting that both these supplies have to be considered separately. The firm has also been requested to supply the replacement parts immediately so that the non-working power plants are rectified quickly. The Committee would like to be apprised of the progress made in the matter.

35	5.47	—do—	The Committee view with concern the lack of serious approach on the part of P&T Department even in the matter of prescribing security deposit which was fixed as only 5 per cent of the value of the order *viz.* US dollar 38,187 even when the Department had no direct knowledge of the competence and reliability of the firm. What is more surprising to the Committee is the fact that despite the continuing poor performance of the firm, the Department have subsequently agreed to reduce the bank guarantee amount to the value of the remaining 72 plants, yet to be commissioned then. The Committee also note that the revised bank guarantee is valid upto October, 1977 with provision for lodging the claims upto October, 1978.
36	5.48	—do—	According to the information furnished to the Committee on 23 May 1977, out of the 147 plants, 108 plants have so far been commissioned and 39 plants are yet to be commissioned. Out of the 108 commissioned plants, 84 plants are working satisfactorily and the remaining 24 plants have gone faulty. This reveals that due to the very poor performance of the firm, the very purpose of placing the order could be achieved only partially as the balance 39 plants could not be commissioned so far and some of their components have been utilised in repairing and working the plants, in operation. The Committee desire that all out efforts should be made to get the replacement components at the earliest so that the remaining 39 plants valued at about Rs. 17½ lakhs are commissioned without loss of further time.
37	5.49	—do—	The Committee have not been informed about the quantum of loss sustained as a result of the non-activisation or partial activisation of the no-break power plants. The Department should work out the figures of such losses and furnish the same to the Committee within six months.

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38	5.50	Ministry of Communications (P &T Department)	The Committee also note that with a view to keep the commissioned plants in working condition, the Department have placed an order in March 1975 on the same firm for additional components for Rs. 8,43,000. Till May 1977, one consignment of these components of the value of US $ 10,850 has been received and two more consignments valuing US $ 35,852 and $ 67,477 received in India, are under clearance in Bombay. The Committee would like to know the latest position about the receipt and utilisation of these components and the performance of those which have since been put to use.
39	5.51	—do—	The Committee would recommend that after the defective parts and components are received, the Department should proceed to take appropriate action against the firm for infringement of the terms of the contract. The Department should also fix responsibility on the officers concerned for failure to safeguard public interest while placing orders on this untried firm.
40	5.52	—do—	The Committee desire that the entire mechanism of purchases from foreign suppliers should be subjected to a critical study with a view to plug the loopholes and revamp the purchase procedures. The Committee would like to have a report on this in due course.
41	6.17	—do—	The Committee note that in August 1972 an order was placed by the Director General Supplies and Disposals on M/s. Jessop & Company Limited, Calcutta for the supply of a high speed hydraulic cold sawing machine at a cost of Rs. 1.26 lakhs in connection with the production of

			microwave towers. The machine was received in November 1972 in the telecommunication factory at Jabalpur with some damaged parts. After repair to the damaged parts, the machine was commissioned in May 1973. Though, according to the terms of the supply order, payment to the extent of 95% of the cost of machine and spares (Rs. 1.13 lakhs) was made to the suppliers in March 1973 against proof of despatch after inspection in September 1972, the machine due to one defect or the other could not be put to proper use till September 1975 except that it worked for a period of about 1½ months in May and June 1973 and for a short spell of 69 hours in October 1974. What has distressed the Committee is the fact that payment was made to the firm without even putting the machine to trial for a reasonable period, particularly when it had been received with damaged parts. The machine, even after final repairs in September 1975, had to work at lower speeds as good blades had not been supplied by the firm, which, as Audit have pointed out, "would have enabled trying out the machine for working at higher speed as incorporated in the specification". The Committee would like to know whether the good quality blades have since been received from the firm.
42	6.18	—do —	The Committee are perturbed to note that only after 1½ months of the commissioning of the machine in May 1973 three teeth of the saw blades were broken and the hydraulic feed system started giving trouble which resulted in the faulty movement of the carriage. If the assertion of the Department of Posts and Telegraphs, that the blades were broken because of an inherent defect in the design of the machine and its hydraulic feed system, is accepted then the basic question arises why the representative of Director General, Supplies and Disposals who had inspected the machine in September 1972 before its despatch, could not locate these defects.

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43	6.19	Ministry of Communications (P & T Department)	It appears to the Committee that the machine remained practically unused from July 1973 to August 1975 except for a few days (69 hours) in October 1974. In a written note furnished to the Committee, the Ministry stated that the firm could not demonstrate proper functioning of the machine due to want of blades during July, 1973 and the Manager, Telecom Factory, Jabalpur, tried to purchase the blades from other sources and was able to procure it in May, 1974. The fact, however, remains that the machine was not re-commissioned for a considerable length of time. The plea of the Ministry of Communications that the production of microwave towers did not suffer as the cutting of angles was done by alternative means, *viz.*, gas cutting, does not sound convincing. The fact cannot be gainsaid that the gas cutting process is not only a slow process but also needs another operation for shaping the edges true.
44	6.20	—do—	The Committee find that though a warranty clause was incorporated in the contract for the machinery and was valid for a period of 15 months from the date of putting in service at consignees end, the DGS&D failed in its efforts to prevail upon the firm to get the machine properly rectified within the warranty period. The result was that not only the machine remained out of order for long intervals but an additional expenditure of Rs. 5,150 had to be incurred for purchase of the required components from the market. The Committee would like to know the basis on which the order was placed on the firm by the DGS&D and especially whether the antecedents and the performance of this firm in the matter of supplying sophisticated instruments for the telecommunication factory were at all

			investigated. The Committee would like the DGS&D to take a particular note of the poor service facilities offered by this firm before any contractual obligations are entered upon with them.
45	6.21	—do—	At the same time the Committee would also like to emphasise that suitable steps should be taken by the P&T Department to ensure that adequate and proper steps are taken for supervision over the working and up-keep of costly machines and that only trained and dependable staff are allowed to handle them.

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